

Nation's Business

A USEFUL LOOK AHEAD

JUNE 1961

WHO WOULD PAY FOR SHORTER HOURS

SEE PAGE 40

What's going on in the White House **PAGE 62**

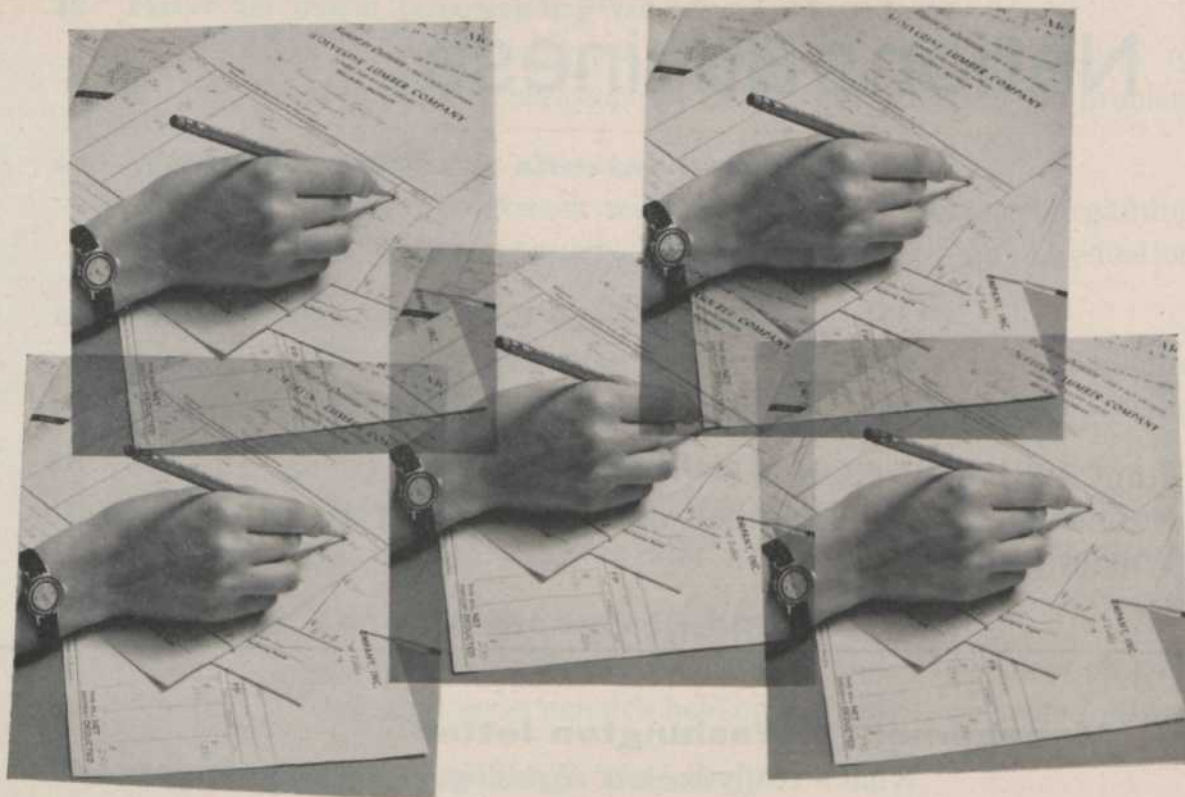
Reds at U.S. border plot world rule **PAGE 31**

Check your knowledge this way **PAGE 80**

How to cure unemployment **PAGE 38**

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Nation's Business

June 1961 Vol. 49 No. 6

Published by the Chamber of Commerce of the United States
Washington, D.C.

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Nation's Business is published monthly at 1615 H St. N.W., Washington 6, D. C. Subscription price \$18 for three years. Printed in U.S.A. Second class postage paid at Washington, D. C., and at additional mailing offices. Copyright, 1961, by Nation's Business—the Chamber of Commerce of the United States. Nation's Business is available by subscription only.

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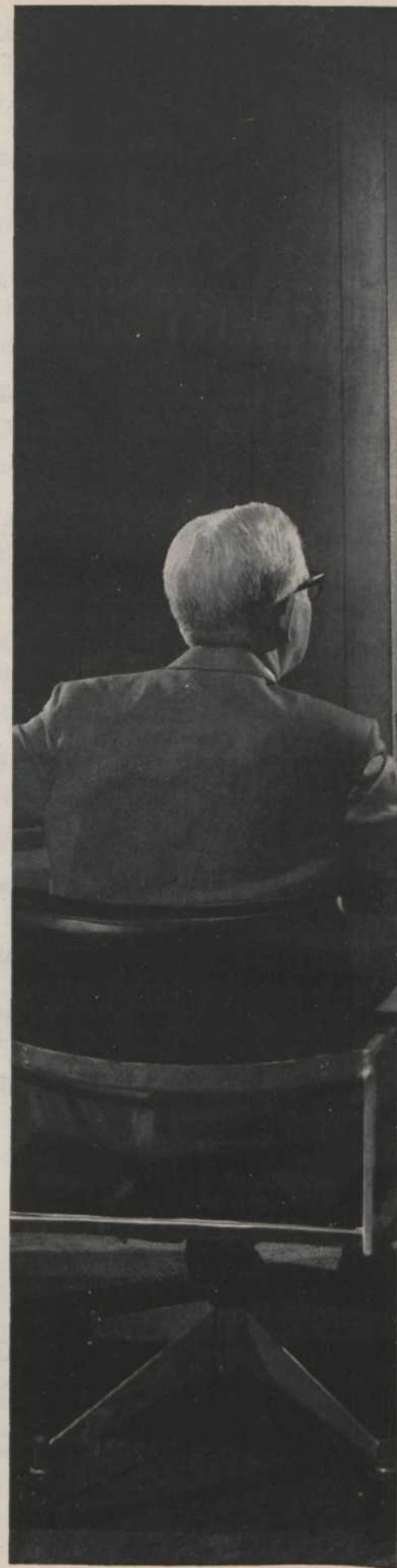
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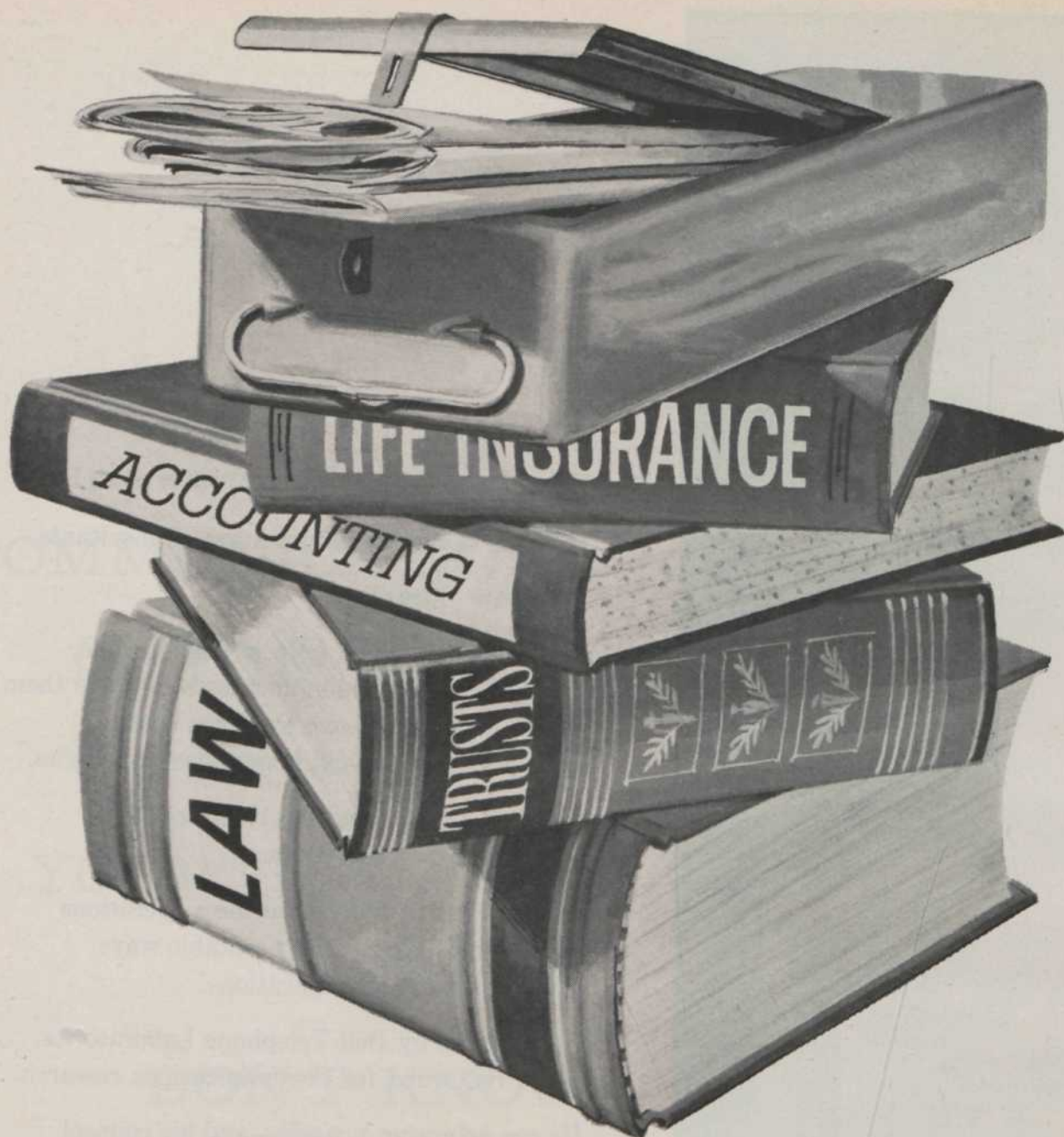
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►THERE'S A GROWING FORCE of men in government who believe business should lower prices.

Not only that, they're taking actions they believe will force prices down.

This idea is back of stepped-up antitrust activities.

Government's aim is to increase price competition by cutting down the size of companies.

The key thought here is that bigness in business is more responsible for inflation than bigness in unions.

So goes the theory of many important men in government.

►FOR YOUR INFORMATION:

Justice Department has filed 48 antimerger cases since law was amended six years ago.

Ten of them have been filed so far this year.

Sixteen of 48 cases have been closed, government winning all but one.

In addition, approximately 40 grand juries throughout the country currently are investigating price-fixing charges.

Scores of pre-grand jury inquiries by government attorneys are under way.

►PERSONAL TAX CUT next year.

That's probability.

Groundwork already is being laid.

You can expect President Kennedy to propose personal tax cuts soon after Congress meets next January.

You'll want to make careful note of what's back of this probability.

It's this:

"The problem of unused potential becomes continually more urgent."

With these words the President's economic advisers express the key to their thinking about what government can --and in their opinion should--do to promote economic growth.

►THE IDEA ESSENTIALLY is this:

There's a growing gap, according to the President's advisers, between U. S. industrial output and what output ought to be.

Size of this gap, they claim, was \$32 billion in 1960.

What they mean is that our production should have been that much more than it actually was.

The output gap, they say, rose to \$40 billion in the final three months of 1960, went up to \$50 billion in early months this year.

Next year, their theory goes, output gap will continue to widen.

►WHAT WOULD YOU DO about this output gap?

Does it really exist?

Presidential advisers claim it does indeed exist and this assumption guides their philosophy in proposing changes in government policy.

What they would do about it is take steps to promote consumption.

This, to presidential advisers, means cutting personal taxes.

Economic analysis for such a proposal is being worked out now by staff men at the U. S. Treasury Department, which drafts Administration tax proposals.

►ANOTHER IDEA that will influence future federal policies of importance to businessmen involves profits.

Corporate profits, sliding downhill for two years, appear ready to turn up.

Since half of every profit dollar goes to Uncle Sam, the U. S. Treasury can count on getting increased revenue from this source next year and the following year.

That will allow increased government spending without risking large deficits.

Spending plans in all federal agencies are being dusted off and updated for future action.

You'll get the details in President's fiscal 1963 budget proposals which he will put before Congress next January.

►BRISK ADVANCE of business impresses Washington.

Most economists here expected sluggish pick-up.

Now economic vigor surprises them.

►BIG YEAR FOR BUSINESS--1962.

That's almost certain now.

Most economic indicators are turning up with increasing vigor.

One that isn't: Retail sales.

Some economists are worried by fact that retail sales did not begin uptrend as soon as they had expected.

What consumers will do in the next few

months will indicate how much progress you can expect in year ahead.

Meanwhile, here's what Washington economists anticipate at this time:

Economy is picking up speed, should be moving with gusto as New Year arrives.

That means 1962 will see a continuous economic climb from beginning to end.

►NUMBERS YOU'LL NEED to follow coming economic changes:

\$503 billion total business last year.

\$510 billion probable this year.

\$532½ billion expected next year.

These figures measure what economists call gross national product.

That's total value of all goods and services we produce in a year.

Sometimes referred to as GNP.

It's the most-used measure of economic conditions in the nation.

►FIGURE IS TABULATED every three months by Department of Commerce, is expressed as annual rate for total production.

Quarterly tabulations tell you what is happening to business, also indicate direction business is headed.

Look at these figures from last year:

First quarter--\$501 billion.

Second quarter--\$505 billion.

Third quarter--\$503½ billion.

Fourth quarter--same as third.

Only official figure so far for 1961 is first quarter rate--\$499½ billion.

What's shown here is that business reached peak rate a year ago, then fell approximately one per cent.

Production rate now is climbing, going up from first quarter low point.

Second quarter rate is expected to be at least \$505 billion.

That's Washington estimate for period we're in now, with another month to go.

Final figure won't be known for couple of months.

Year from now, in 1962, our national production rate is expected to be zooming, uptrending at much faster pace than now.

►GOVERNMENT PLANS large expansion of federal housing program.

Housing proposals would cost taxpayers more than \$7 billion.

Of this sum, about \$2.5 billion would go for urban renewal.

Here's current status of federal urban renewal program:

Some 870 projects have been approved by federal government since program was started in 1949.

Housing and Home Finance Agency lists only 41 as completed.

Government already has extended loans amounting to approximately \$1.6 billion.

Only \$203 million has been repaid.

►IS U. S. REALLY second rate in space?

Answer, technically, is a flat no.

Currently in orbit are 27 space shots.

Only three are Russian, 24 are ours.

Eight of U. S. space vehicles are still transmitting useful information back to earth.

Russia's three satellites are dead.

►NEXT TROPHY IN SPACE RACE may go to the communists.

What'll it be?

Look for Soviets to orbit two men in one space vehicle before end of summer.

►WHAT'S IMPORTANT to U. S. is that Red space accomplishments are making a big impression on new and growing nations.

Leaders of these developing nations are seeking technological help in their economic and industrial advancement.

Communist salesmen--thousands of them --are swarming on neutralist leaders to sell them on the idea that the Soviet system will help them most.

►DON'T BE SURPRISED if, during the next year, some new nations become ensnarled in the communist orbit.

You know about problems in Southeast Asia, Africa, Berlin.

But something new is coming in Latin America.

New trouble spots are planned there for the future.

Big build-up of communist cadres in Latin countries is under way.

Encouraged by recent successes in Cuba the communists are stepping up actions aimed at building anti-U. S. sentiment.

Significantly, the build-up is planned and engineered just south of our border --closer than generally known--just a little more than three jet airline hours south of Chicago.

Soviet headquarters for all operations

management's WASHINGTON LETTER

from Mexico south are located in Mexico City.

A Nation's Business editor reports from Mexico on page 31.

► **NO BIG STRIKES AHEAD**--that's prospect for next six months.

Why?

Three reasons:

1. Workers aren't eager to go on strike just when jobs are opening up.
2. Government will move quickly to end strikes, set up special panels to avoid prolonged strikes that could upset economic recovery.
3. Union leaders, counting on Washington intervention, don't want to cause embarrassment for friends in government by causing economy-slowness strife.

► **NEW SITUATION** at NLRB--National Labor Relations Board--is expected to help minimize strikes.

With two appointments, the President has given union friends a three to two majority on the five-man board.

Unions expect more favorable rulings, will have less reason to strike.

Speeding up decisions also will help.

Regional NLRB offices have been given authority to make final decisions in union-representation elections.

In cases of unfair labor practices, hearing examiners will have more authority to make binding decisions.

To businessmen these actions mean not only the prospect for labor peace, but prospect also that more board decisions will go against management.

Still needed: state handling of more cases, possibly new labor courts.

► **WATCH WALTER REUTHER** this summer.

Auto contracts expire in August and September.

Mr. Reuther, auto workers' leader, will wage significant battle against management.

Workers want protection from layoffs resulting from slackening demand for the products they produce.

Also want protection from layoffs resulting from technological change.

Auto workers will demand more pay and fringe benefits far beyond the increase in productivity.

To gain their demands, auto workers

could strike in September. But they probably won't.

That's guess at this time.

Last time auto contracts were signed, in 1958, negotiations were dragged out for months beyond contract deadline.

Look for auto union to follow the same pattern this time.

More details on union demands on page 40.

► **YOUR FREEDOM TO MERGE** or acquire the assets of other firms could be impaired by a legislative proposal now moving up on congressional priority list.

What's involved is this:

Legislation would require notification to government of your intent to merge or acquire assets of other firms, followed by a waiting period of 60 days while federal lawyers decide if it's okay for you to go ahead.

Important steps toward the possible passage of this proposal will be taken this month.

Watch Senator Kefauver's committee.

There's useful background in research booklet called "The Merger Issue in the United States," (\$1 a copy).

Suggest you write to Department of Manufacture, Section L, U. S. Chamber of Commerce, Washington 6, D. C.

► **SALES ABROAD** CONTINUE strong uptrend.

Actual sales of U. S. merchandise to foreign countries are running close to \$110 million a month higher than a year ago.

That trend, if it continues, will put exports up to a new record this year.

Last year's volume was \$19.5 billion.

Estimate is that this year's volume will top that by a couple of billion.

Imports, meanwhile, are falling.

Latest information shows we're buying \$240 million a month less than we did a year ago.

You'll be interested in a new booklet called "Meeting Foreign Competition at Home and Abroad."

Write to Economic Research Department, U. S. Chamber of Commerce--\$1 a copy.

► **TREND:** Research spending, estimated at \$12 billion last year, is headed toward \$14 billion this year.

More on research on page 77.

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Here's where to find salesmanship today

"WHAT'S Happened to Salesmanship" [May] raised my dander.

I began my career in sales in the late 1940's, shortly after World War II. This places me in the category mentioned in this article. I resent the implications of this article and am sure these views are shared by many other salesmen.

A person who works in a sales capacity is not automatically a "salesman." Quite to the contrary, I know many people working in sales that I do not consider to be salesmen. It follows then that no salesman was encountered by the man who purchased three cars for his family. He merely passed conversation with an employee of the auto dealer.

Luther H. Hodges, Secretary of Commerce, is quoted, "If you really want to find out what's wrong with this country, then you ought to see how little activity we have in trying to sell." Then he cites trying to get a hotel room. I personally do not expect a sales pitch from a hotel clerk, just a room.

Mr. Hodges also cites railroads for poor treatment of customers when buying a ticket or requesting information. Granted I have found this sometimes true, but again I do not expect a sales pitch from the ticket agent, I expect a ticket.

Mr. Hodges is further quoted, "Go anywhere where things are being sold, and you will find they are not doing a half-job in this country." I can assure you that competitors of mine, in the industrial sales field, are so active that I am almost afraid to go to sleep at night for fear someone will take one of my customers.

Does the salesman pursue his customer as aggressively as he did prior to World War II, or is the salesman a victim of changing marketing methods? The true salesman does still pursue his customer aggressively. But he pursues his customer without leaving an impression of pursuit.

In other words, the true salesman uses finesse, the key to successful selling in any business.

I spent several years in my company's retail sales and merchandis-

ing division before moving to industrial sales. I found that mass advertising media, television in particular, sometimes worked against the salesman. Customers become so immune to some of the fantastic claims that they are skeptical of legitimate claims.

Normally the customer would not put a new product in stock until his customers call for it. However, because he trusts the integrity of the salesman, he puts a new product immediately into stock. Moreover the salesman encourages the customer to keep it in stock.

I have seen this handled with finesse by many good salesmen. I have also seen the same situation flubbed by an incompetent employee in a sales position.

My formula for a top sales force would be: Make the best salesman in your organization sales manager, not the best politician. Then let him hire the salesmen who, in his estimation, are the best qualified. Allow the sales manager to pay the salesmen what they are worth, and reward outstanding achievements with something more than a slap on the back. Never allow anyone who is not a salesman to hire or fire any salesman. As no one without a good background in chemistry could recognize a top chemist, no one without a good background in sales can recognize a top salesman.

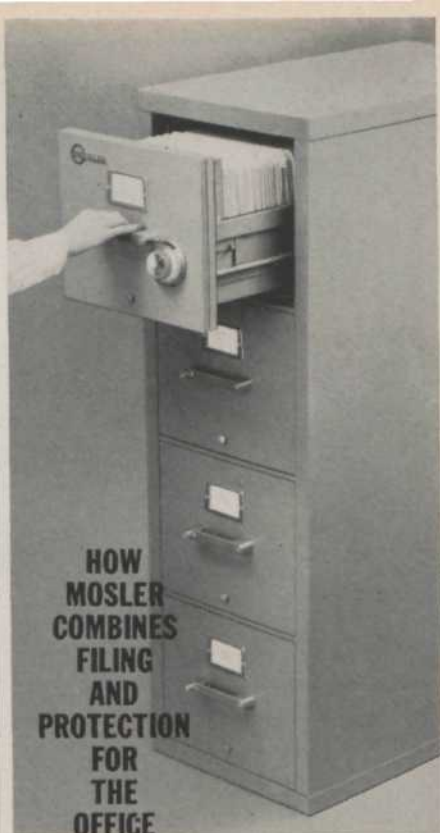
What's happened to salesmanship? It's right under your nose. There are good salesmen all around you.

E. F. SWAIN
Corn Products Co.
Omaha, Nebr.

We in the imported car lines have had to sell against fantastic odds since the cars were introduced.

Let us examine the facts: The American public has been educated to purchase at wholesale not at retail.

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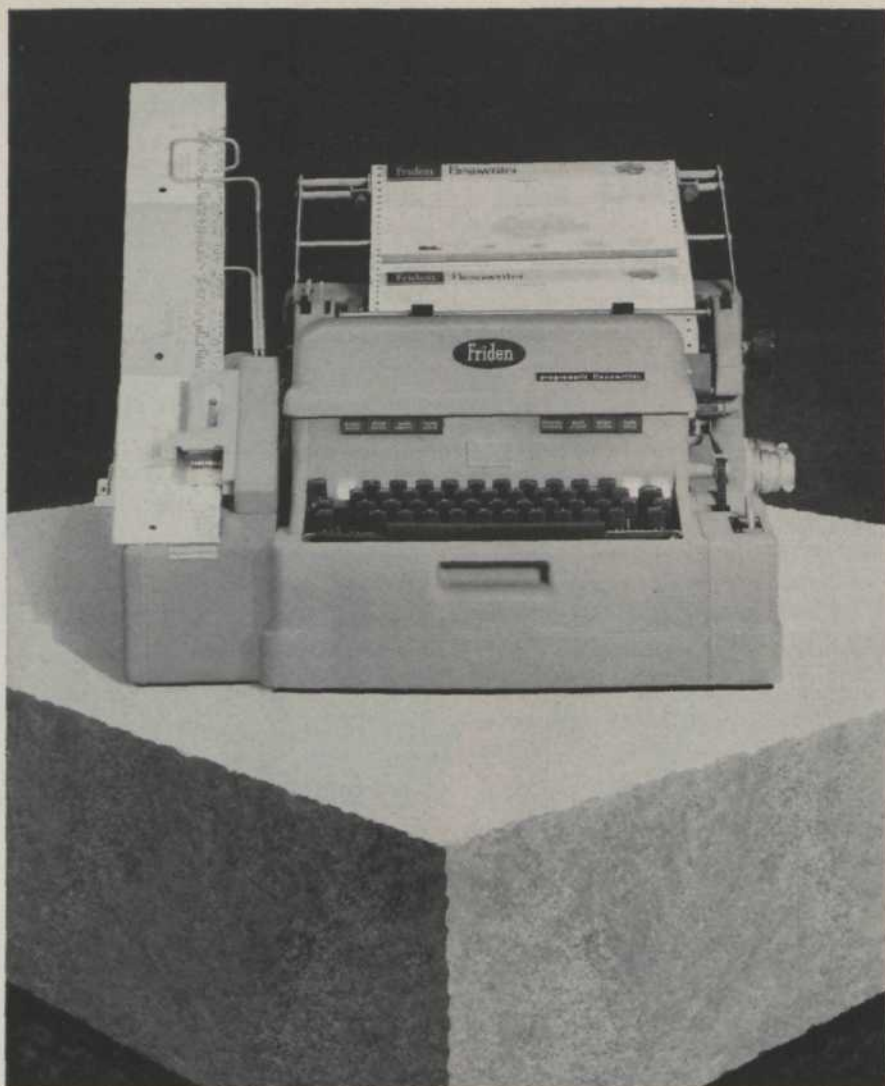
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Business opinion:

better by putting the money in the bank and collecting four per cent.

The big deal has upped the volume for factories, but there has been very little profit for the retailer.

DON DAVIES

Harrington Auto Imports, Inc.
Cleveland, Ohio

Most of us have observed lackadaisical salesmanship. Atrocious as it is, I doubt, however, that its opposite would be the panacea for our ailing economy.

The American public pretty well buys up to the limit of its purchasing power. Our real need is for a more economical system of distribution so that the available purchasing power will move more goods.

WILLIAM R. KILMER

Malco Hearing Service
Salt Lake City, Utah

What's happened to salesmanship? Take government out of business and there will be enough incentive to last another 300 years.

MIKE O'RILEY

The Hertz Corporation
Chicago, Ill.

No magic for schools

"False Claims in School Control Drive" [March] refutes quite effectively the arguments in the literature handed out to us by the NEA in support of its national legislative platform, and could be the basis upon which to launch a grass-roots movement to get that platform changed.

WILLIAM D. HAWES

Wilmette, Ill.

Thanks for "False Claims in School Control Drive."

May you continue to voice objection to the idea that Washington can apply a magic touch to a dollar. When has it ever?

DUANE W. SMITH

President
Michigan Southwest Conference
Grand Rapids, Mich.

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The Bendix Corp.
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Executive Trends

- How to cut new product mortality
- Anyone for group-watching?
- When to call a business psychologist

Here's a bit of hair-raising arithmetic:

New products are coming out at an estimated rate of 26 a day and failing at the rate of 23 a day.

"Most products which fail should not have been introduced in the first place," says Walter P. Margulies, president of Lippincott & Margulies, Inc., industrial designers and marketing consultants. Mr. Margulies blames poor market research for the high rate of product demise.

"What's needed," he told NATION'S BUSINESS, "is an 'Early Warning System' which will help companies avoid the strain, time and money of product failure, and help them identify products which have the best chance of succeeding."

Mr. Margulies has some ideas on how such an "Early Warning" apparatus should operate (see below).

You can cut the risks of new product introduction by careful screening of a product's chances before it makes its debut.

Consultant Walter Margulies says: "If the item is an entirely new product, which must create a new following, the problem is to get a good estimate of the public's taste, or lack of it, for the product."

There are two ways to do this: By studying what happened to similar products in the past, or by testing consumer enthusiasm for the new item.

"If I develop a powder for mak-

ing instant meringue," Mr. Margulies continues, "but market research tells me that only one in 500 housewives serves meringue of any kind, instant or otherwise, then I should drop my meringue idea and go on to something else."

• • •

Yardstick: Vice President Schuyler D. Hoslett of the Reuben H. Donnelley Corp., Chicago, offers this tongue-in-cheek method for distinguishing between junior executives and senior executives.

"In general," he says, "senior executives are heavier than junior executives."

• • •

Built-in group-watchers are a new idea in management.

A group-watcher is an executive who is appointed to observe the deliberations of his associates and to tell them when they are failing to work effectively as a team.

At least five major companies currently are using this novel management technique, and report excellent results, according to L. Renshaw Fortier, manager of the general management division of the American Management Association.

The AMA has had a hand in promoting group-watching. The association's term is not group-watcher but "group observer." The process is simple: One member of a committee, board, or some other group is assigned to observe how the group

When Pepsi-Cola telegraphs 530 bottlers ... *things happen fast!*

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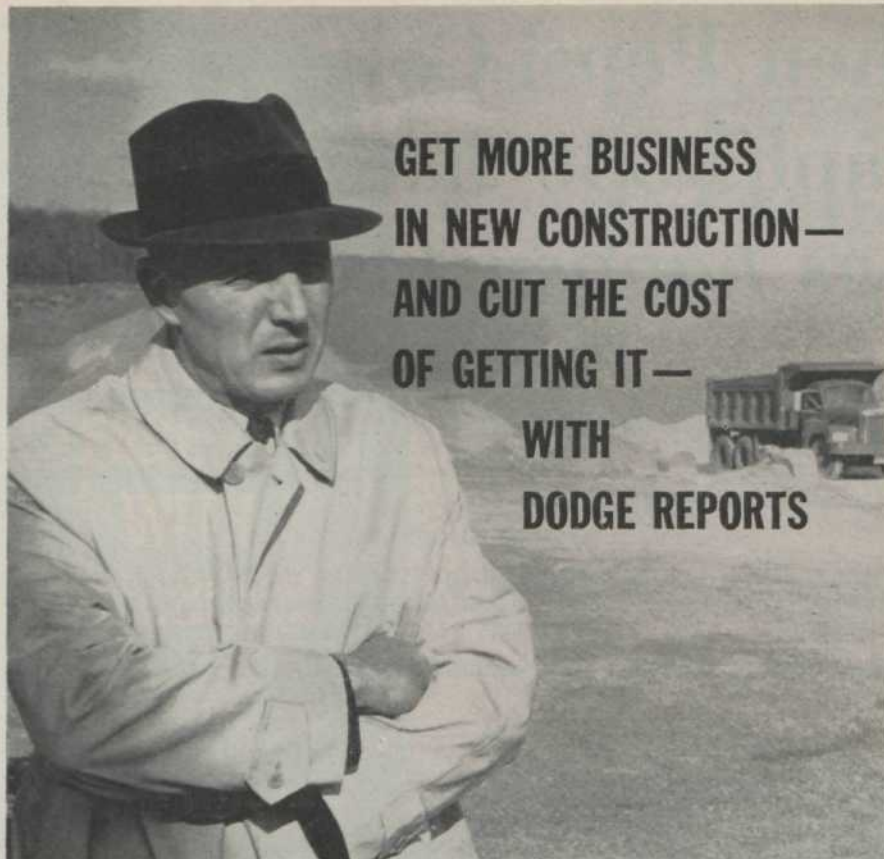
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NB 61

EXECUTIVE TRENDS

continued

members act and interact, whether they are truly communicating—really operating as a team—or whether their teamwork is muddled by failures to listen, personality clashes, or other distractions.

The method has been used to date by several boards of directors, one aircraft manufacturing company, and by the regional sales managers of a drug concern.

The observer's job is rotated and he is assigned to report "how well a team executes a play, not to judge the play that the quarterback calls."

Mr. Fortier says the technique can make groups more effective because a good observer will sense when individuals are obstructing team play and can point this out.

• • •

You've heard much about the need for putting technicians, engineers, scientists through special training in the liberal arts—to equip them for the role of generalist.

In the future you are likely to hear more talk of the reverse of this—special one-year scientific and technological training programs for liberally educated men.

One advocate of the other-side-of-the-coin approach to executive development is Frank H. Cassell, director of personnel administration for the Inland Steel Company.

He recalls that the demand for gifted generalists after World War II prompted large-scale efforts by industry and business to provide technically oriented managers with exposure to the humanities. This has been done, he notes, "to add to their sense of values, and to increase their capacities to understand the human problems of a vastly complex society."

Basic science for the liberally trained, Mr. Cassell contends, would help increase "the number who, in the decade ahead, would have the leadership capacity to move successfully through the uncharted waters of profound scientific and social change."

• • •

Executive recruiters report a growing demand for executives to fill key

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INSURANCE BY NORTH AMERICA
Insurance Company of North America
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World Headquarters: Philadelphia



EXECUTIVE TRENDS

continued

spots in overseas operations. Several of the nation's major recruiting firms have assignments from domestic businesses which need men to place in their overseas operations, or want to recruit nationals of foreign countries in which they operate.

Recruiter J. Francis Canny, of New York City, says international recruiting is not only growing, but is a field "which requires entirely different skills."

"Years ago," Mr. Canny recalls, "quite a few companies would put marginal or submarginal men in the international area. Today, the story is quite different. Men of high caliber are sought. In fact, it is easier for a recruiter to find ten executives for domestic service than to find an equally good man in the international field."

• • •

Job anxiety is a growing phenomenon among U. S. managers.

Consulting psychologist Edwin M. Glasscock says a number of developments account for this. Two of special significance, he says, are the realization that high-cost risks are involved in management decisions, and the trend away from owner-management to nonowner professional management.

"The nonowner manager tends to be a more anxious type of individual. He knows he is accountable to someone above him, and thus he feels a considerable emotional involvement in the work both he and his subordinates do. If he has to fire someone, he worries whether it will reflect on his own competence for having hired the man in the first place."

Dr. Glasscock hesitates to apply the term "boom" to the growing use of psychological consultants by business and industry. He notes, however, that more and more firms are using psychologists to advise them on personnel problems, to smooth out interpersonal conflicts among executives, to evaluate potential new employees and promotees, to make morale studies, and to render other services.

He emphasizes: The psychologist should be viewed as an adviser to

management, but not a substitute for top management decision-making responsibility. The time to call for the services of a psychologist, Dr. Glasscock adds, is before—not after—you have serious people problems.

• • •

More than 200 American business college students will go abroad this month to work in foreign business firms during the summer—and more than 200 foreign youngsters will come here for the same purpose—under the expanding student-exchange program of AIESEC (Association Internationale des Etudiants en Sciences Economiques et Commerciales).

The program, supported by foundations and business, gives American companies an opportunity to find potential employees for their overseas operations and provides foreign youth who work here with a better understanding of our business methods and philosophy.

A spokesman for the United States affiliate of AIESEC, Miss Antonia T. Thompson, describes the placement organization as a kind of "Industrial Peace Corps." She says that American firms participating in the exchange have reported enthusiastically on its results.

Students involved work in various capacities, meeting their own expenses from remuneration paid to them by participating firms.

• • •

Conversational sins are cause of frequent breakdowns in communications among sales and administrative executives, according to speech expert Jorie Livingston.

Miss Livingston says seven out of 10 managers fail to communicate adequately with associates, subordinates, clients or customers because of "inattention and self-involvement." The latter she defines as preoccupation with one's own problems—to the extent that it makes an individual fail to grasp the ideas of others.

Miss Livingston says: "If people would only learn to cue themselves as actors do, by concentrating on the other person's speech and using it as a real motivation for their own comments, they would get through in a much more effective way."

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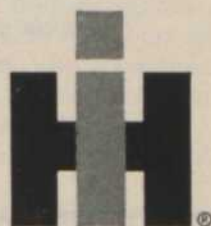
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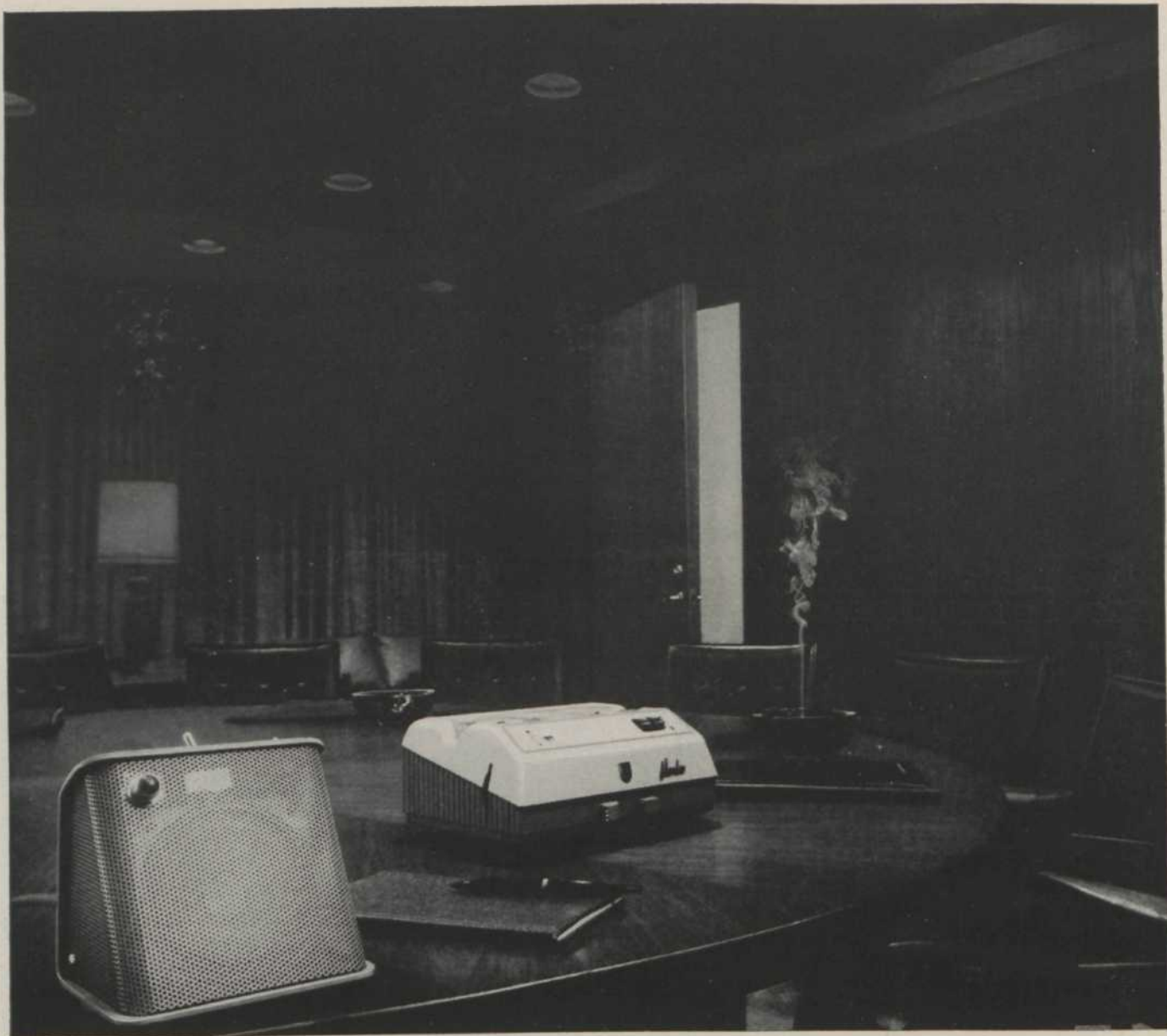
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Kennedy finds White House toughest school

BY MERRIMAN SMITH

FORMER PRESIDENTS Harry S. Truman and Dwight D. Eisenhower, obviously without comparing notes but working from the same material, have observed privately on several occasions that, no matter how well trained and experienced a man may have been before entering the White House, he begins to learn all over again the moment he says "so help me God" after the oath of office.

Such is the experience of President Kennedy who, after five months in office and his forty-fourth birthday, finds the White House a complex and sometimes embittering laboratory for in-job training in which the student receives almost no credit for effort, relatively moderate marks for success, but a lot of attention for anything under a passing grade.

He has learned that a national election victory and the fulfillment of campaign promises are exceedingly hard to equate; that pushing a legislative program through Congress requires much more patience and compromise than he seemed to recall from his own 14 years in the House and Senate; that some seemingly peerless fellows and ardent supporters of a political campaign do not quite fit into the administration scheme of things; and, in the case of Cuba, that

generals, admirals and intelligence experts can know less of their own business than certain hard-headed, common sense civilians.

This is the time of year when official Washington frequently can begin to plan for a period of rest, relaxation and revaluation of the months just passed. With the fashionable schools beginning to close, cabinet members, ambassadors and senators pack their wives and children off to the mountains or the seashore and plan to leave town themselves once the House and Senate close shop and the President heads for summer solitude.

This summer, however, there may be precious little leisurely living for leaders of the American government. The international situation and the lagging status of certain key administration legislative proposals make early adjournment of Congress doubtful. It begins to seem equally in doubt whether the President will spend any protracted period away from Washington. Some of the time that might otherwise be spent at Hyannis Port may be devoted to short foreign trips to help bolster the spirits of the non-communist world.

The President and his Administration, the Congress and the peripheral people around the government seem variously braced for or resigned to a pattern of recurring crisis—Cuba, Laos, Viet Nam. And, if the signs abroad are at all reliable, President Kennedy will face another crisis with Soviet Premier Nikita S. Khrushchev over West Berlin.

Acute United States difficulties in Latin America seem destined to move beyond Cuba. Fidel Castro captured the imagination of many underfed and ill-clothed neighbors to the south. Mr. Kennedy knows this is the unhappy dividend not only of communist energy, but North American apathy. The President, therefore, is attempting to do two things: capitalize to the fullest among our hemispheric neighbors on the admitted entrance of Cuba into the communist bloc, plus promoting a new degree of genuinely consultative cooperation between the American states.

As hot weather approached, the international squall

MERRIMAN SMITH is White House reporter for United Press International. He accompanied President Roosevelt on wartime trips and was at Warm Springs, Ga., at the time of his death. He received the National Headliners award for coverage of that story. He was with President Truman at the Potsdam Conference; with General Eisenhower in Korea, and later at the Big Three Conference in Paris.



He has written four books, "Thank You, Mr. President"; "A President is Many Men"; "Meet Mister Eisenhower"; "A President's Odyssey."

TRENDS: WASHINGTON MOOD

line was relieved somewhat by signs of slow improvement in the domestic economy, passage of the campaign-promised minimum wage increase and America's first great stride toward matching Soviet proficiency in putting manned vehicles into space.

The President himself summed up the situation by saying, "I am not a pessimist about the future, but I think that we have a great many problems. . . ."

Thus the early summer mood of the Administration was a mixture of dogged determination and zeal, with occasional touches of élan supplied by such happy activists as Interior Secretary Stewart Udall.

The President noticeably was more constrained and deliberate in approaching what he called "a great many problems" than some of his torch-bearers who regarded his election as a glorious license for eradicating the past. To the surprise of some key Republicans, including General Eisenhower, President Kennedy's reforms as reflected in legislative recommendations were not as sweeping as his campaign oratory had indicated.

In Republican ranks, and also among some of the more conservative Democrats, there was mounting chatter that the so-called professors around President Kennedy were losing some of their influence because of impractical politics and international idealism. Those closer to the President, however, regarded this as so much wishful thinking.

Particularly after the Cuban mess, some quarters of the capital began downgrading the intelligentsia and upgrading the experienced government professionals in the Kennedy Administration. Because the Central Intelligence Agency took such a public drubbing for the Cuban invasion fiasco, it was for a time popular to forecast that the Pentagon powers, meaning the chiefs of the armed services, were regaining the ascendancy they had under President Eisenhower. Comforting as this idea might be to some, it is not entirely true. President Eisenhower on more than one occasion differed sharply with the Joint Chiefs of Staff, even on the point of a Cuban invasion. The former Chief Executive during the late summer and early autumn of 1960 put the brakes on an invasion plan simply because those advocating it, including the JCS and the CIA, had not supplied, to Mr. Eisenhower's satisfaction, evidence of a strong Cuban refugee government ready to take over after the disposal of Fidel Castro.

President Kennedy's insistence on maintaining a clear channel of communication and direct contact with his cabinet officers has added greatly to the time and effort required for conduct of the presidency. With a most busy summer in prospect, there may be some increase in Mr. Kennedy's delegation of authority because his hands are quite full of reins at the moment.

Behind the scenes the President goes about his business with deliberation and equanimity. While he believes in wide diffusion of responsibility, he retains

much more personal control over day-to-day government operations than President Eisenhower exercised. He's a great user of the telephone, which still startles some veteran civil servants and members of Congress. An excellent memory and a probing interest in the problems of government help him to retain the operating details of many matters for which many executives would have to reach for their files.

With no reflection on Presidents past, the current Chief Executive seems to be the most omnivorous reader to occupy the White House in years. This habit also may be serving to increase his sensitivity to criticism because there are now times when he admits that it might have been better not to have read a particular critique. When criticism or what he regards as unsupported reporting comes from a writer or commentator whom he once regarded as sympathetic, the nettling effect is more noticeable. This is a common, occupational discomfort of the presidency; an ailment that can become so virulent with time that Presidents comfort themselves in the cottony refuge of sycophancy. Not that President Kennedy is approaching this stage. Far from it. But there are beginning to be a few little knots and bruises.

For one thing, he is annoyed by public picking at his private life and the lives of his associates. He reportedly bristles at gibes about some of the New Frontiersmen being in social evidence around town. It is true that some of the faithful have taken to the Washington social swim a bit actively, but they also work incredibly long hours. As far as the White House is concerned, an official's best measurement is his dedication to his job. If he wants to lose sleep being brilliant in a Georgetown salon after hours, that's his business. Just get to the office early, stay late—and always, near a telephone.

Along with other human experiences in development of a new national Administration, Mr. Kennedy has run into the fact that a certain number of recruits tend to lose their total dedication to team and begin to have independent ideas which cut across theoretically discernible administration lines; who for reasons of vanity, disagreement with policy or simple lack of wisdom gab rather loosely and often at cross-purposes.

President Kennedy has not been put into any head-logging mood by these divergencies but he has undertaken some internal corrective steps. Apparently the President realizes that he brought with him into the government a group of zealous men in a hurry. His task is to harness this enthusiasm to the sometimes dull requirements of administrative reality. Possibly more than many of his advisers, he realizes that to put even a modest percentage of their ideas, and his, too, into working actuality requires compromise, negotiation and time.

He does not seem to be in anything approaching an all-or-nothing mood on domestic legislation because he remembers the narrowness of his victory over former Vice President Nixon. However hallowed the battle in the eyes of his followers, President Kennedy is trying to get along with the enemy on Capitol Hill because there's a much larger enemy outside.



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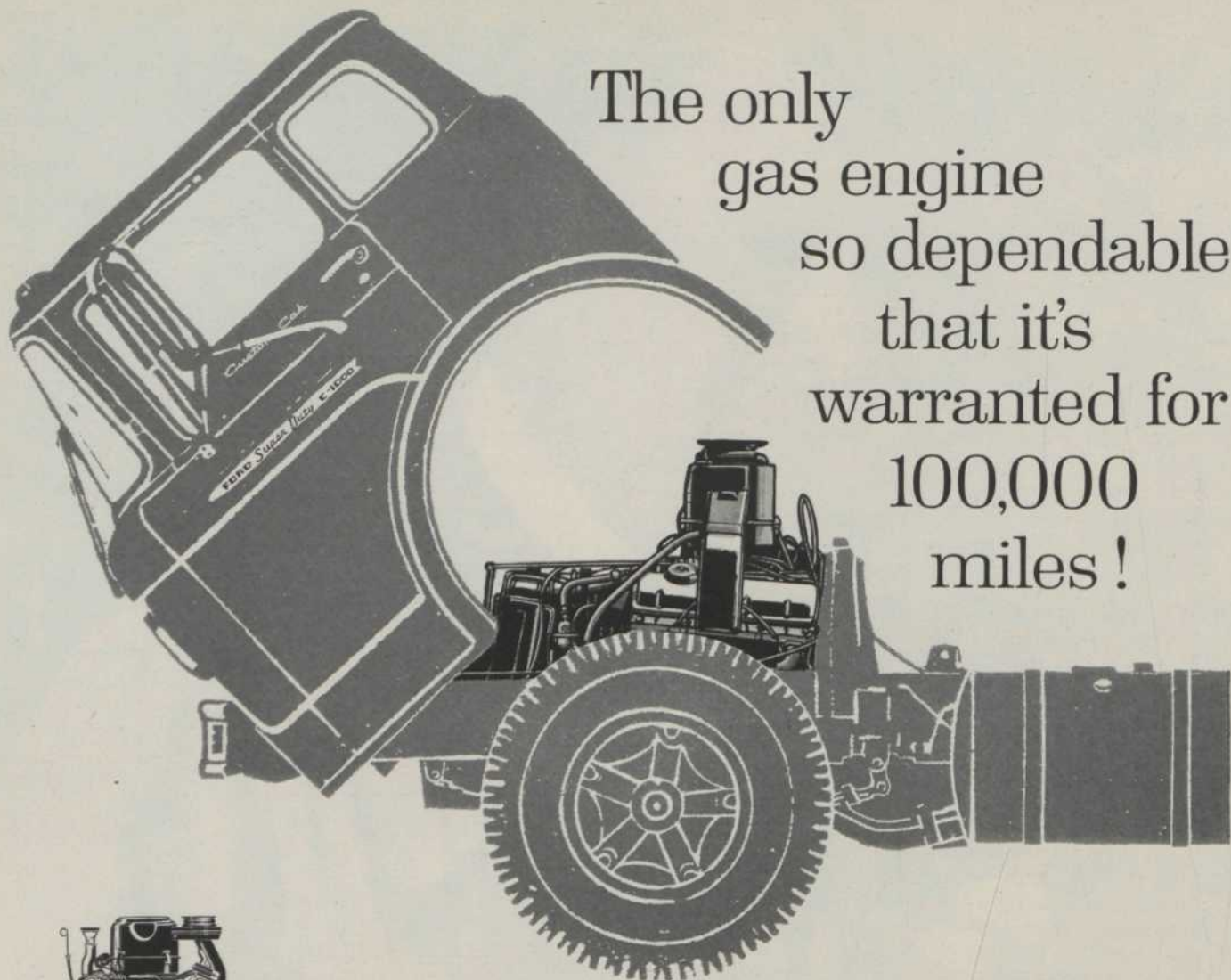
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Saving the nation means saving traditions

BY FELIX MORLEY

WHEN CHARLES A. LINDBERGH completed the first successful solo trans-Atlantic airplane flight in May of 1927, there was no doubt as to whether the man or the machine was more important.

The partnership between the two was very real, as the pioneer aviator emphasized when he used the collective pronoun "We" as title for his first book on the historic venture. But "The Spirit of Saint Louis" was always the creature of its pilot. "I decided," he wrote, "that a single-motored monoplane was, for my purpose, the type most suited to a long-distance flight. . . . I went to San Diego to place the order and remained . . . during the entire construction of the plane."

When Commander Alan B. Shepard, Jr., was shot into outer space, much of that element of personal command still happily remained. "Switching into manual control," he messaged back. And then: "Going into re-entry attitude."

Very different was the relationship of Yuri Gagarin to the vehicle that catapulted him around the globe. The role of this intrepid Russian was that of observer, rather than participant.

Indeed, Moscow has never even claimed that Major Gagarin maneuvered the Russian space ship. That the American astronaut should do so was part both of his training and his program. It was this factor of individual control that made his flight as notable as the more spectacular Russian achievement, justifying the Washington reception aptly described as a "Lindbergh welcome." Let us again recall that pioneer's account:

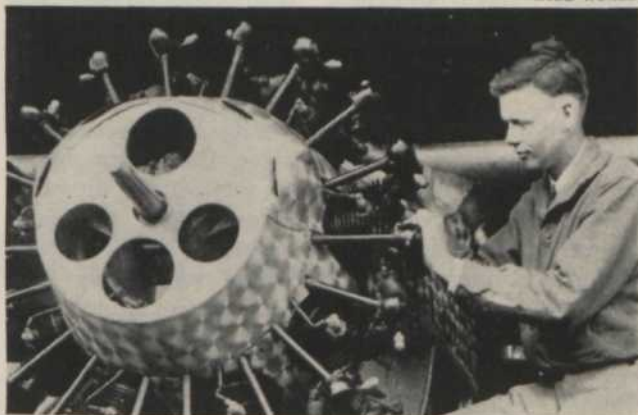
"At 7:52 a.m. I took off on the flight for Paris. . . . I passed over a tractor by about 15 feet and a telephone line by about 20. . . . I turned slightly to the right to avoid some high trees on a hill directly ahead, but by the time I had gone a few hundred yards I had sufficient altitude to clear all obstructions. . . . I took up a compass course and soon reached Long Island Sound. . . ." And then, 34 hours and several pages later, "I was circling the Eiffel Tower at an altitude of 4,000 feet."

Despite his characteristic modesty, the prevalence

of the personal pronoun in Lindbergh's narrative is as it should be. For it was not the mechanism, as in Gagarin's case, but the individual personality that dominated throughout.

Lindbergh flew the Atlantic, at an average speed of nearly 100 miles an hour, and now more people are traveling this way than cross by ship. Gagarin was shot around the globe, going into orbit at about 180 times the maximum velocity of "The Spirit of Saint Louis." The scientific advance, in so brief a span of time, is breath-taking. But it should be

WIDE WORLD



Lindbergh was nicknamed "The Lone Eagle" in recognition of his achievement as an individual

emphasized that the earlier accomplishment, from the viewpoint of the individual's control over his destiny, was active—and in the case of Gagarin, wholly passive.



It is this contrast between positive and negative that demands consideration when it is asked: "Why are we behind?" or "When will we catch up?" The meaning of the "we" here is much more enigmatic than in the case of Lindbergh's simple title. But, aside from that, counter questions arise immediately:

TRENDS: STATE OF THE NATION

"Behind in what? Catch up to whom?" The second pair of interrogations is not the less important.

The American system of government, and indeed the whole American way of life, is based on the assumption that men, in their various ways, can aspire to be pilots, not merely strapped-in passengers on the ship of state. The general trend of current development, and certainly the whole philosophy of communism, runs counter to this proud conviction. The individual as such, we hear, is unimportant and only the collectivity counts. Therefore, something called Russia is ahead of "us" and "we" are in second place. But the actual fact is only that another government has achieved accomplishments in a field where our own has lagged behind.

So far as this can properly be called a matter of

WIDE WORLD



Astronaut Shepard performed as test pilot on flight; Cosmonaut Gagarin was helpless

military urgency, or of real prestige, the necessity of catching up is indeed undeniable. But to the extent that a panicky fear encourages centralized direction through huge governmental aggregations, the emulation of Russian technocracy could be suicidal. Quite as important as closing the missile gap is to keep wide open the gap between the communist and the American conceptions of desirable governmental controls. In the name of self-defense it would be easy to destroy that individual freedom which is for all of us most worthy of defending.

There is a definite flavor of sour grapes in the doubts expressed as to whether Gagarin was actually hurtled round the globe. Less debatable, and more important, is the chain reaction touched off by acceptance of this communist achievement.

In quick succession came the sorry fiasco in Cuba and the rapid deterioration of the Laotian picture. There has been an obvious turn for the worse in the western position, and consequent need for a strengthening of morale.

President Kennedy has met this crisis squarely. He has repeatedly warned that the dangers facing us are deadly serious and certainly not ephemeral. He has sought the advice of elder statesmen with becoming humility and without trace of partisan bias. He is

confronting appalling problems with the highest sense of duty and personal dedication. But it is not evident that he is placing in the American people as a whole the degree of trust that they deserve.

Indeed, some actual mistrust was suggested by Mr. Kennedy when he told the newspaper publishers, a fortnight after the Russian space flight, that they have been printing "details of this nation's covert preparation to counter the enemy's covert operations" and urged the free press "to heed the duty of self-restraint which danger imposes on us all."

Our newspapers have for some time been exercising a large degree of voluntary censorship and this will doubtless be tightened as a result of Mr. Kennedy's appeal. But, as the President says, "the duty of self-restraint" is mutual. There are aspects of his domestic policy that must be defined as arrogant, intemperate and ill-judged. Failure to reveal such instances in time would be dereliction, not fulfillment, of journalistic duty. To couple controversial actions with the thesis that exposition of them is undesirable would be disastrous for the health of this republic.

Mr. Kennedy is not unaware of the dilemma.

"Even today," he told the publishers, "there is little value in insuring the survival of our nation if our traditions do not survive with it." But why "even today"? The statement should not be qualified. The conflict with communism will have been lost, if the time ever comes when we ourselves destroy constitutional government under the pretext of saving it.



History may yet record that between the flights of Lindbergh and Gagarin the minds of men experienced a subtle change. It could be that the lonely achievement of the former symbolized the end of the era of individual accomplishment, while that of the latter typified subordination to centralized direction. Perhaps that is what Khrushchev had in mind when he jubilantly asserted that "we will bury you." Collectivist thinking could, quite conceivably, in time submerge the American tradition of personal responsibility. The trend in that direction is all too evident.

The outcome is unlikely, however, unless the American people permit themselves to be lured and herded down the road to serfdom. Since President Kennedy has not yet clearly sounded a warning to that effect, it may properly be voiced for him, through congressional resistance to every form of domestic regimentation. As President Madison, in another time of stress, reminded us: "You must first enable the government to control the governed, and in the next place oblige it to control itself."

Recent communist successes leave no room whatsoever for complacency. But only shortsighted people will argue that our best recourse is to adopt their thought pattern. When Lindbergh landed in Paris our ambassador there pointed out that the young explorer "was not commissioned by our government" and had no official standing whatsoever. For that very reason, said perceptive Myron T. Herrick, "France takes Charles A. Lindbergh to her heart."

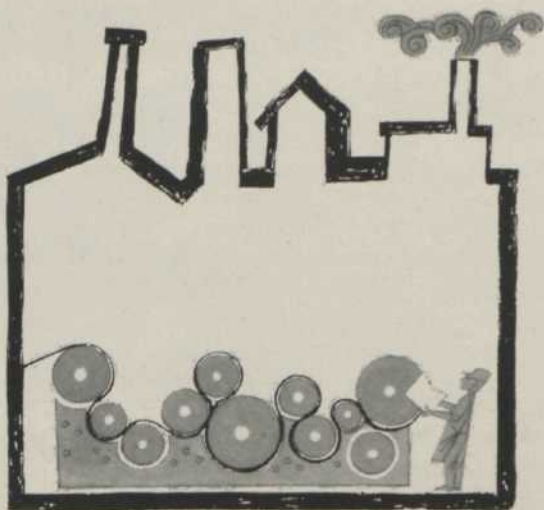
Even from their own people the robot operators of state-assembled spaceships will never get that spontaneous reception.



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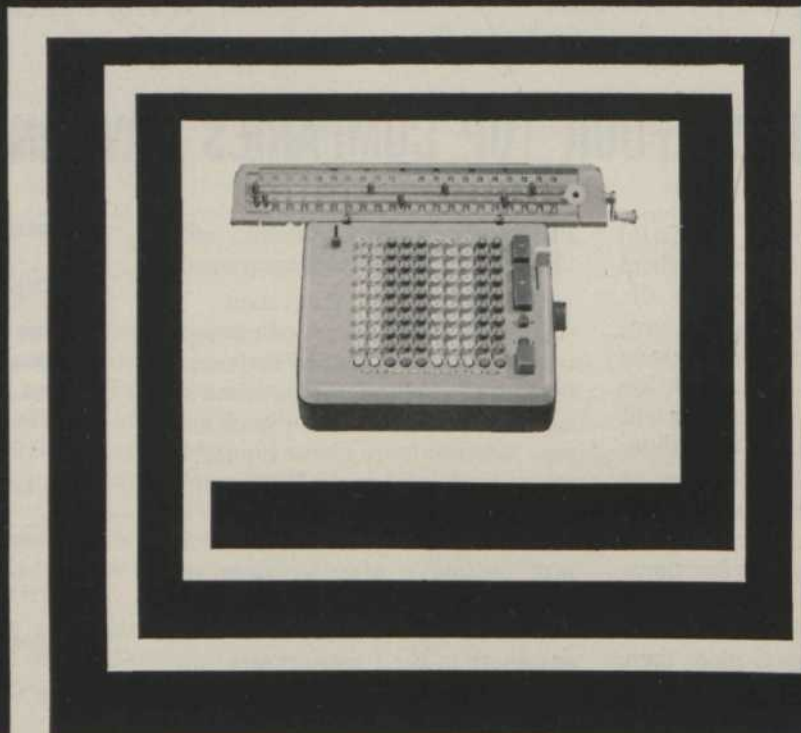
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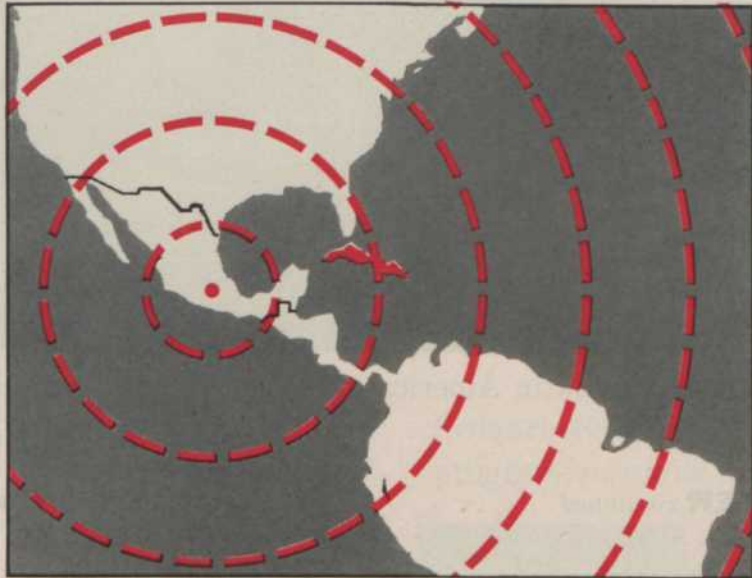
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See the MAN from **MONROE**



With Cuba now in the grip of communism, what does Russia plan next in this hemisphere? A Nation's Business editor reports direct from Mexico



REDS AT U.S. BORDER PLOT WORLD RULE

MEXICO CITY—Go into a bookstore here and ask for a copy of "Las Cadenas Vienen de Lejos" by Alberto Baeza Flores.

You'll see no copies on display and you'll be told the store has none.

This would happen to you now in 28 bookstores in Mexico City. You cannot obtain the book from these stores because the communists are paying the proprietors not to sell it.

The book—"The Chains Come From Afar"—describes the communist takeover of Cuba. Red techniques are outlined in detail. You are told how the Reds could take over other countries in similar fashion.

This is a story the communists want to keep from the Mexican people and they are willing to bribe a few businessmen to do so. This illustrates the attention to detail with which the Reds are operating their conspiracy in this capital city—located just a

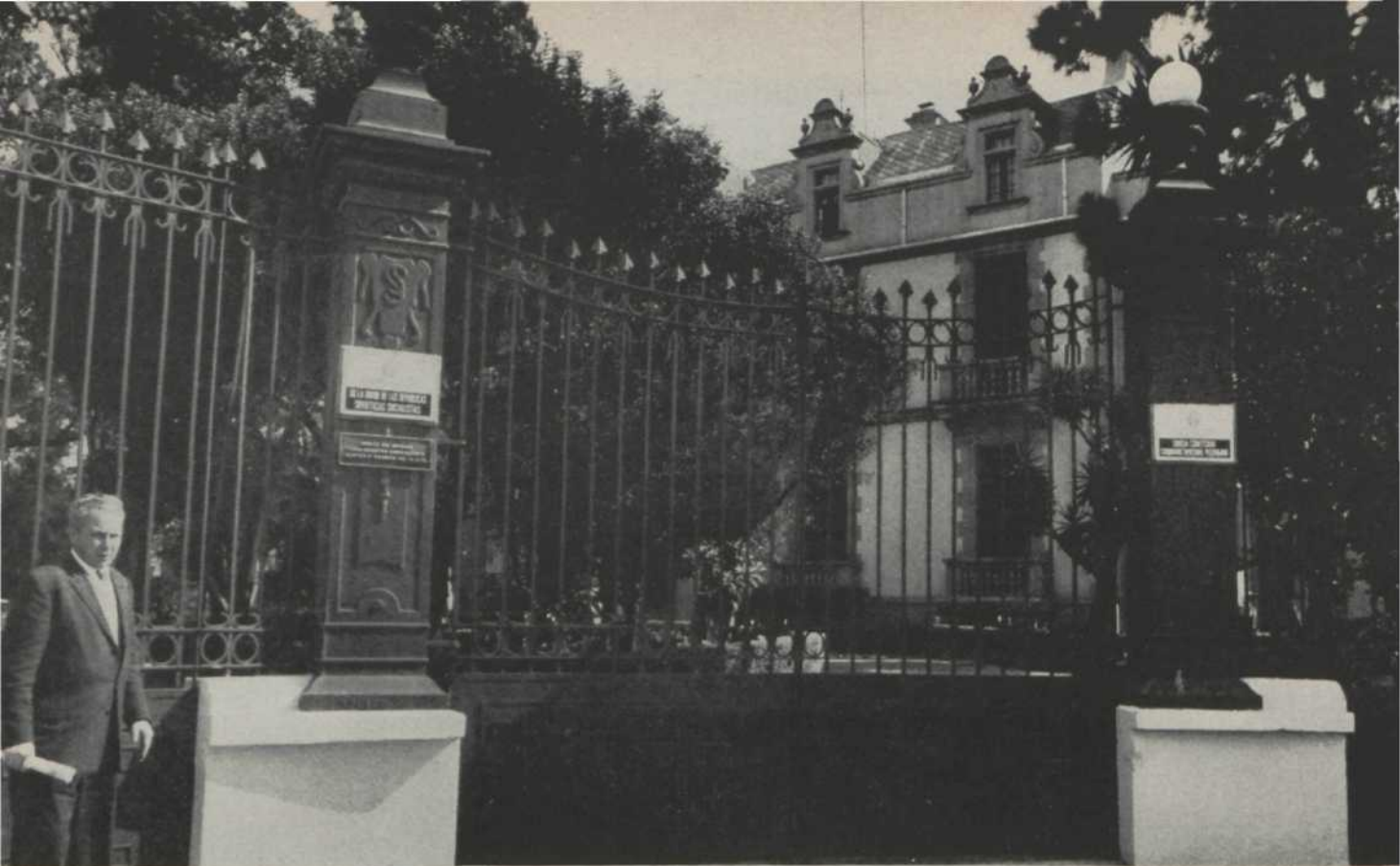
little more than three jet airline hours from Chicago, a city of similar size.

What is happening here, next door to the U. S., is the beginning of a new phase of communist plans for world domination. The timetable for communist take-over of more territory in our hemisphere has been moved ahead.

One important reason for stepping up their plans is that the communists, according to intelligence reports here, are amazed at the U. S. handling of the Cuban situation.

Encouraged by the ease with which Castro was able to repulse the recent invasion of Cuba, the communists consider their foothold in this hemisphere firmly established.

Now they plan to widen their beachhead by directing a speed-up of take-over efforts in other countries. Mexico City has been selected as the most



Communist headquarters for Latin America are located at Soviet embassy in Mexico City

REDS AT BORDER *continued*

logical place from which to direct this new phase of their campaign to subvert U. S. efforts to prevent the spread of communism.

Conditions of widespread unrest—where communism thrives best—are prevalent in many parts of Latin America. The communists, with renewed vigor, are busy building the machinery through which they can grab power whenever future crises arise.

Intensified drive coming

The ultimate goal of the communists is the United States. They confidently expect, during the next few years, to make big progress in that direction by gobbling up large portions of our hemisphere—particularly the countries immediately south of the U. S., as well as key South American countries.

You can expect an intensified drive during the next three to five years.

This means the U. S. now faces the realistic prospect that communism, at some time during the decade ahead, may dominate Mexico, a country of 35 million people—with a 2,013-mile common border stretching from San Ysidro, Calif., to Brownsville, Texas.

Headquarters for this conspiracy are located in Mexico City at Calzada de Tacubaya 204—the address of the Soviet embassy.

From this address all communist activities south of the U. S. are coordinated, including the activities of the Czechs and Poles, as well as those of the satellite Cuban embassy, located just a block away.

The man in charge is Vladimir Ivanovich Bazikin, ambassador to Mexico and the top Soviet official in Latin America.

Moving into the next phase of communist plans, two developments are noteworthy:

The Soviet Union is bringing in new personnel, beefing up its already-large Mexican embassy staff. Russia has boosted personnel to 140. There were 120 only three months ago. For several years the staff numbered about 75.

Up to two tons of diplomatic pouches arrive daily at the embassy. Pouches are about four feet high. Some weigh as much as 200 pounds. About 30 arrive each day. The Soviet embassy here is one of the largest—far larger than ordinary diplomatic relations would justify. Mexico, for example, has only three Mexicans in its Moscow embassy.

A measure of diplomatic performance is shown by the fact that the Soviets, during the past year, have issued only 211 known visas while the U. S. embassy here issued 86,000. The value of Soviet goods sold to Mexico in the past year amounts only to \$48,000—hardly enough to justify a 140-man Russian staff.

Our fifth best customer

Mexico, meanwhile, is America's fifth best foreign customer in terms of foreign trade and the U. S. is by far Mexico's best foreign customer. We exported more than \$800 million in goods to Mexico last year. The figure could go to \$900 million this year. From Mexico we buy about \$445 million worth of goods a year, 60 per cent of all that Mexico sells abroad.

U. S. investment in Mexico is estimated at more

than \$1 billion. U. S. capital operates about 500 firms in Mexico.

What are so many Russians doing in Mexico City? Why are more coming?

Secrecy shrouds their work. A total of 17 families live inside the embassy compound. Many never come outside. Others who work there live nearby. Wives work in the offices. Children are schooled behind the large fence which surrounds the area, about the size of a small city block.

What goes on inside the compound at Tacubaya 204 is kept secret even from telephone servicemen who go only to the gate with equipment, which is taken from them by Russian technicians who make their own installations and repairs.

It is clear, however, that not all Soviet activity in Mexico is confined to the address on Tacubaya. Fifteen of the personnel assigned there are Spaniards. These people were taken from Spain to Russia during the Spanish civil war when they were children. Now, thoroughly trained, the Spaniards are able to mingle effectively with Mexicans.

Attesting to the success of this experiment, the Russians—looking to the future—recently hauled 100 of the brightest Cuban high school youngsters off to Russia for training. It seems safe to guess that these youngsters in years to come will also show up in Latin America.

An estimated 1,000 Mexicans are directly serving communist causes. Card-carrying party members number between 2,500 and 3,500. Also aiding the Reds are about 100 American communist families now living in Mexico City. Most of them fled the U. S. in the past several years.

Propaganda campaign

The communists are engaged in a large-scale expansion of a program of infiltration and propaganda.

In the 28 book stores which suppress materials exposing communist aims and methods, for example, you will find a good selection of literature—at bargain prices—describing the benefits and praising the accomplishments of communism.

The choice includes well written, highly attractive, expertly printed books that would cost \$12 to \$15—but can be bought for as little as \$2.50 through outlets subsidized by communist funds.

Other books, printed in Spanish, range down to paperbacks on communism and anti-American themes which sell for only a few cents.

Reds also are subsidizing newspapers, periodicals, pamphlets, documentary films, newsreels, some two dozen Mexican-Soviet friendship societies, and other activities aimed at causing trouble.

Communist money in various forms also goes to teachers, who are poorly paid and welcome any assistance. Communist funds are used in a wide variety of ways to support students, who can usually be counted on to foment trouble. Courses in the English language, as well as Russian, are taught with large doses of communist philosophy thrown in.

Financial support also goes to convert newspapermen to communist ideas.

These activities are aimed chiefly at keeping the Mexican pot of unrest boiling—for the long-range

benefit of communism. The important new development here is the beginning of the implementation of a concept known as third positionism.

The author of this idea is Nikita Khrushchev. Here is the background on third positionism:

Joseph Stalin, and Lenin before him, thought of the world as divided into two camps—communists and their opponents. Neither Stalin nor Lenin understood neutralism; thus they tried to ignore its existence as unimportant to the final outcome.

But Khrushchev, after Stalin's death, saw a way to use neutralism. He came to realize the leverage potential of independent nations, particularly the underdeveloped—but growing—countries. These nations can be used effectively to work for communism against the U. S. because of the gap between the have and have-not nations, according to the Khrushchev theory.

The idea has been tried out in pilot programs in the Middle East, Africa, and Asia—and found workable.

Now, with world attention focused in other directions—Laos, Africa, Berlin, Cuba—steps are being taken to put the idea of third positionism into full use at the United States' doorstep.

This is simply a new (continued on page 44)

Reds are stepping up anti-U. S. propaganda program, subsidize some local publications

PHOTOS BY JACOB LOFMAN—PIX



PATTERN FOR FEDERAL TAKEOVER OF YOUR BUSINESS

Here's formula planners follow to gain control

A MASSIVE NEW PROGRAM of federally forced growth is being prepared in Washington.

Government planners have set long-range production goals for one of the nation's most vital natural resources. Officials are now detailing specific methods by which extensive subsidies and complicated controls could be applied to spur citizens throughout the country to meet a supposed need in the far away year 2000.

It is a classic proposal for centralized planning and regimentation of a sector of our economy. It shows the bureaucratic approach to a real or imagined national problem. Just as in such fields as education, medical care, unemployment or housing, subsidies to buy solutions inevitably carry with them certain controls over those subsidized.

Involved in the new proposal for forced growth are about 4.5 million owners of 260 million acres of farm woodlots and other small, privately owned forest lands. According to the federal plan, these private woodland owners are supposed to help close a timber gap that federal officials believe may be upon us in a generation or two unless Uncle Sam steps in.

Forest industry people insist a crash federal program for growth is unnecessary and would discourage private forestry progress now under way free of subsidies and controls.

Typical of the independent and progressive businessmen who oppose the federal proposals is R. Nelson Nash, who heads Carolina Timber Management Co., Inc., a small consulting firm which manages

about 25,000 acres of woodlands in eastern North Carolina.

Mr. Nash, a graduate forester, realizes that better forestry practices are needed on small woodlots. But, as he told NATION'S BUSINESS:

"My objection to government assistance programs is that they are impersonal and national in scope. The uniform standards and regulations cannot possibly take into account the many individual needs, preferences and circumstances of forest owners.

"Our country has proved time and time again that free enterprise is the best attack on problems. When government aid is used, commensurate authority must be given in return. This is an imposition on the freedom of the individual."

Kennedy backs program

President Kennedy, however, has told Congress the small private woodlands "must be managed to produce a larger share of our future timber needs." He said that if our grandchildren are to have "a continuous supply of timber products . . . growth of timber on these farm woodlots and other small holdings will have to be doubled within the next 40 years."

Warnings of timber famines have been sounded in America periodically for nearly a century and a half. In 1832, for instance, a leading conservationist, J. D. Brown, wrote that in 50 years there would be no building materials left for naval vessels. In 1908, Gifford Pinchot, first chief forester of the U. S., saw our timber supply ending in a generation. In recent times many experts

have predicted early exhaustion of this resource unless tax money and government regimentation were brought to bear.

Gradually a number of federal, state and local laws have been drawn to encourage conservation and good forestry practices. Traditionally, government programs have been locally administered. The Federal Agricultural Conservation Program, for example, uses committees of local people to run forest improvement activities on private woodlands whose owners apply for planting, thinning and other aids.

The new program the U. S. Forest Service is now pulling into final shape includes direct payments for production, federally sponsored co-operatives, government credit operations, purchase of private lands, and implies complex controls and standards for private owners to meet.

The planners envision a 20-year program, which study reports estimate would cost more than \$400 million a year in federal, local and private money for the first 10 years.

"We are definitely committed to a new program now," one Forest Service official working on the overall plan told NATION'S BUSINESS. "We have got to come up with it by Sept. 1."

Why the new rush for a massive federal plan for increased production from small woodlands?

The latest wave of concern began to well up in 1958 when the Forest Service Timber Resources Review was released. This was a report on a comprehensive appraisal of the timber situation in the United

States. The survey was made in 1952. Now, nearly 10 years later, the federal crash program is being drawn based on these findings, many of which are now obsolete.

A major conclusion of the Timber Resources Review was that the nation cannot meet the demands of the year 2000 with the quality of forest land management being practiced in 1952 and that the small forests which comprise more than half of U. S. commercial forest lands were the poorest managed.

A 12-part federal program to prod the 4.5 million small forest owners to practice improved forestry was developed by a working group in the Forest Service and made public last year.

Though this was a preliminary and unofficial outline, Forest Service officials now say that no part of this program has been eliminated and that it is the aim of the Service to push for these types of federal subsidies and controls a little at a time if Congress won't approve an over-all crash project.

No one denies that many of the small private woodlands are not being managed as productively as they could be. There are many reasons for this.

Though the average farm woodlot is about 50 acres and the average nonfarm forest holding is about 118 acres, many woodlots are much smaller and hold little prospect for substantial timber income on a sustained basis. Some of the 3.4 million farmers with small forest lots often foresee more profitable use of their time, skills and capital in annual crops rather than investing in new timber growing stock. Where tiny, scattered tracts predominate, consolidating the timber for marketing may be difficult or the cost of logging equipment may not be justified for a single owner.

The owner of small woodlands whose primary interest is hunting, mineral exploration, or future residential or industrial land development certainly has a subordinate interest in maximum timber production.

So it is no wonder that these wooded properties of up to 2,500 acres that are classed as small woodlands include many low output producers, especially among the smallest tracts.

However, forest industry spokesmen point out that where owners can see a satisfactory financial return—the traditional incentive of our American system—they will take steps to make their holdings efficient and productive.

Increased appreciation of the potential of small woodlots has been fostered at a quickening rate by wood-using industries, forest organizations and consulting foresters in recent years.

The upgraded forestry practices promoted by private organizations and businesses have helped alter the dire picture drawn by the government's Timber Resources Review.

Headed by the American Forest Products Industries, Inc., an organization of wood-using industries, three nationwide education-action programs are in operation to improve forest management and timber protection and production on private lands.

The largest of these private programs—the Tree Farm System—is a project designed to show the land owner and the public that trees can and should be grown as a continuing

crop. Many individual companies have sponsored Tree Farm families to increase timber production in their operating areas. Today some 55 million acres—mainly small forest lands—are being used as tree farms.

Another American Forest Products Industries program—Keep America Green—is administered at state and local levels to alert citizens to the dangers of forest fires. A third program—Busy Acres—is an educational plan providing guides to help woodlot owners with forestry management, production and marketing problems on a do-it-yourself basis.

For years industrial forest land owners have made their professional foresters available to advise and help small timber producers get the most from their properties.

More recently, firms of consult-
(continued on page 96)

JOHN BURWELL



"There can be no freedom to try new, different and maybe better ways if we all must meet government regulations," says timberland manager Nelson Nash

KEEP YOUR COMPANY

How to prevent corporate hardening of the arteries

YOUR COMPANY needs frequent checkups to stay healthy.

Corporate health requires a willingness to recognize symptoms before your business develops hardening of the arteries. It requires facing up to realities, and sustained corrective action.

Waiting things out or holding doggedly to the old order of things won't strengthen your business for the future.

You can determine whether your company has—or is headed for—unhealthy organizational rigidity and you can prepare the way for treatment by asking yourself four questions:

- ▶ What are the symptoms?
- ▶ Where does the ailment originate?
- ▶ How bad is it?
- ▶ How can we get back our company's good health?

Two real-life cases point up the dangers of corporate arteriosclerosis.

A publishing house, well established and relatively successful in publishing foreign language books, failed to heed the counsel of some of its sales personnel. These men could see the trend toward the use of phonograph records, tape recordings, inexpensive paperbacks, do-it-yourself kits, closed-circuit TV language-teaching. Yet management showed no desire to re-examine its policies, format, price structure, and market.

A clinical look at the situation revealed the source of the trouble. The chief of the editorial department had come to prize the publisher-author relationships he enjoyed with scholars, university officials, authors, bibliographers, and other men of learning. He was determined not to water down this source of self-satisfaction. Nothing was done on the counsel of the

salesmen. Result: declining profits, successive layoffs, turnover of key personnel. The company finally was absorbed by a more aggressive competitor.

In contrast is the case of an electronic products company which was going through one crisis after another for lack of engineers. The personnel office spent countless hours in engineer recruitment drives, with only limited success. At the same time, another strain was developing because an internal caste system separated the professional engineers from the subprofessional technicians and draftsmen. No subprofessional, whatever his technical abilities and experience, could move up to the engineering ranks. The director of engineering had for years built around himself a corps of men from a limited group of colleges. He would consider applicants only from these colleges. His persistence cut off the flow of other engineering school graduates and the upgrading of technicians already on the payroll.

A showdown came when several contract bids were lost within six months because of inadequate manpower. At a special meeting called by the executive vice president, a double-barrelled plan proposed by other department chiefs was pushed through over the protests of the director of engineering.

First, it was decided to experiment for at least two years with recruiting engineers from other colleges. Second, the company established an upgrading program, based on a subsidy tuition-refund plan, to encourage technicians and draftsmen to study toward an engineering degree through evening courses at local colleges. They could then qualify for engineering positions.

The company began to function

much better. Today, the business is thriving, has sizable contracts for electronics systems and components, and a considerable backlog of orders.

Symptoms of senility

There are many symptoms of organizational senility.

The tendency to choke off the flow of ideas is a certain indicator of the onset of the ailment. People and factions determined to put ideas into cold storage generally win out. Ideas are stalemated, lost in the shuffle, frozen, buried, dismissed as untimely or as tried before. Ideas or proposals do not get a hearing in open discussion or a chance to be tested on even an experimental basis.

Closely allied to this is another symptom: pockets of resistance to suggested changes in systems, organizational structure, policies, products, personnel, or operations. Such resistance is reinforced through false loyalties, fraternization, personal gains, and the comfort and security of the present way of doing things.

Another marked symptom is an accumulation of bureaucratic practices. This lowers the initiative of employees who want to get things moving. The bureaucrats insist that everybody go by the rulebook. No room is left for flexibility. Practices are not modified to keep pace with management objectives or special needs.

The bureaucrats do not accommodate anything or anybody until all the current and obsolescent requirements are fulfilled. Moreover, no additional work will be taken on without an increase in staff.

The presence of power cliques which dominate areas of the organization is another symptom. The men with seniority, the commuters,

YOUNG

the industrial engineering specialists, the sales analysts—whatever the clique may be—tend collectively to exercise power well beyond their individual responsibilities. They influence what goes on or stays off staff meeting agendas, how union leaders should be handled, whether the current safety program will stay or go, who is to be pushed for promotion, the budget for research and development.

The extent of demoralization of those outside the power cliques is as serious as the organic defects that are brought about by the ailment itself.

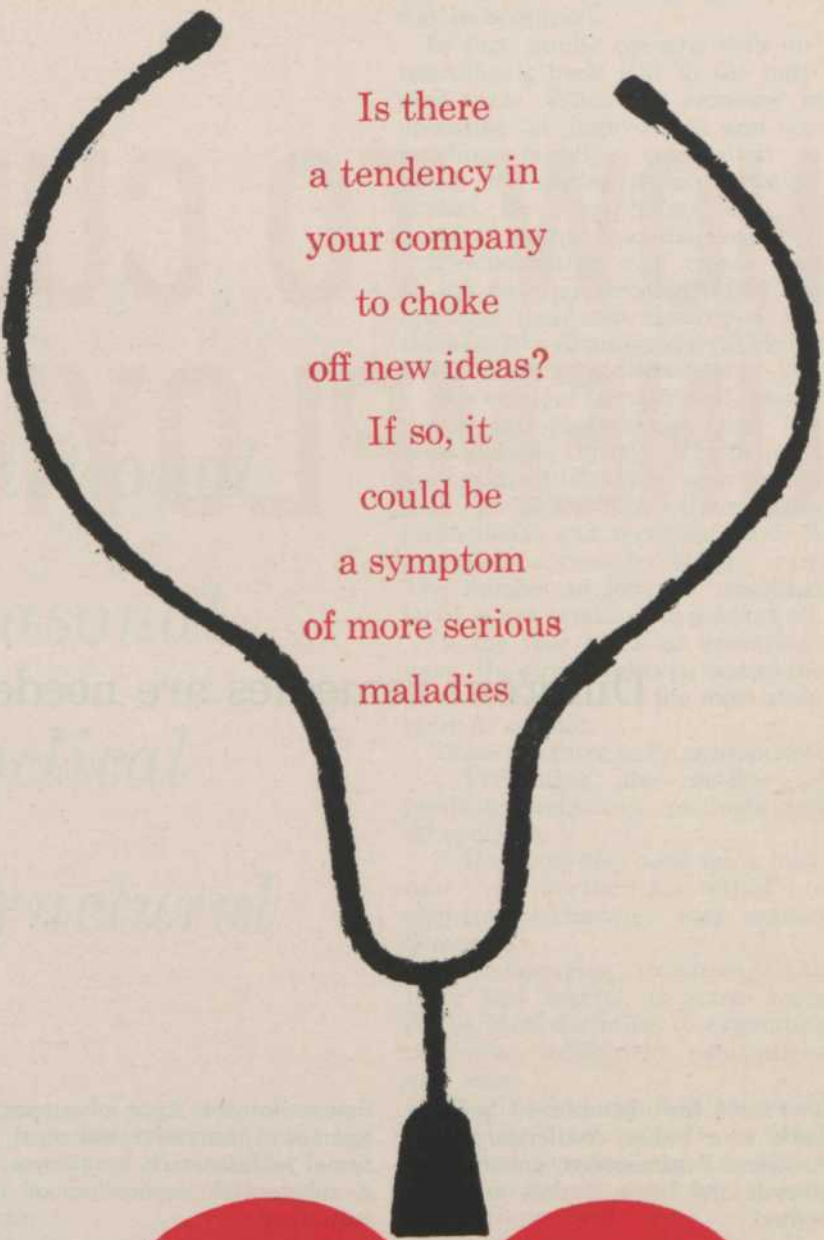
Then there is the symptom of excessive personnel turnover; not general turnover, but the critical loss of good people with five to 10 years of service—competent employees who could give more spark to the organization at the supervisory and middle management levels. Excessive turnover is a clear sign of a prematurely aging organization.

Among other indicators: Analysis discloses a considerable amount of deadwood in the organization. Getting a decision is slow, laborious, and often riddled by compromises. The execution of decisions is also slow and feeble. Poor timing—in planning, coordination, review, or control—is chronic.

One curious thing is that you unearth such evidence at opposite poles.

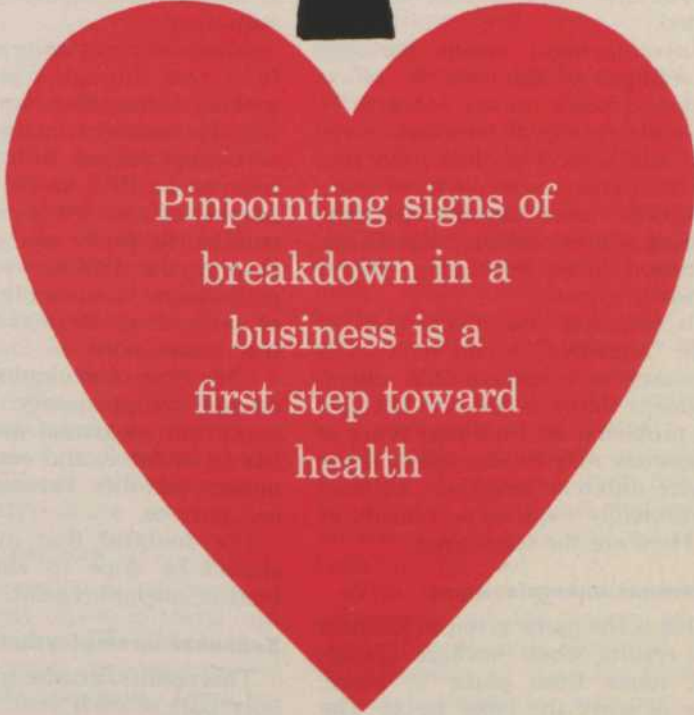
At one extreme, you find smugness and a willingness to rest on yesterday's profits and accomplishments. At the other, you find an attitude of restlessness, irritation, frustration, and inability to live much longer in this climate. Those with the former attitude stay on to preserve the status quo. Those with the latter attitude ultimately leave

(continued on page 100)



Is there
a tendency in
your company
to choke
off new ideas?

If so, it
could be
a symptom
of more serious
maladies



Pinpointing signs of
breakdown in a
business is a
first step toward
health

HOW TO CURE UNEMPLOYMENT

Different remedies are needed for the four types of

GETTING the unemployed back to work is a major challenge facing America. Businessmen, government officials and labor leaders are concerned.

Unemployment means hardship for millions of families. It inflicts economic losses on the country.

A wide variety of remedies—some good and some bad—has been proposed: higher unemployment compensation, more income security, training and retraining, wage fixing, depressed areas legislation, forced economic growth.

To calculate the effects each of these "remedies" would have, it is necessary to recognize that unemployment today is not one but several problems. At least four types of joblessness may be identified. Some require different remedies. At least one probably requires no remedy at all. Here are the four types:

Frictional unemployment

This is the name given to idleness that results when workers change jobs, move from place to place, enter or leave the labor force. The

figures for this type of unemployment are impressive but most frictional joblessness is temporary, and a substantial proportion of it is voluntary.

Many workers entering the labor force pass through a period of job-seeking before they land their first job. New entries in the labor force accounted for one fifth of total joblessness in 1955 to 1957. Since the number of new entries in the 1960's will be 40 to 50 per cent greater than in the 1950's, we can expect an increase in unemployment rates of as much as 200,000 a year from that cause alone.

This type of unemployment is increased by prosperity. Ample job opportunities attract new entries to the labor force, and encourage voluntary mobility between jobs and occupations.

It's doubtful that much can or should be done to eliminate this kind of unemployment.

Seasonal unemployment

This results because some jobs last only part of each year. It may ac-

count for as much as 20 per cent of the total. It is regular, predictable, and largely self-eliminating. Many employers have developed off-peak lines and diversified their operations.

Workers have found other jobs in off-seasons. Some prefer seasonal jobs.

When only demand is seasonal, and the products can be economically stored, production can be stabilized on a year-round basis. When supply is seasonal, or the product cannot be stored, little can be done directly in many cases.

The decline of agricultural employment reduces the scope of this problem. The growth of seasonal services, such as the tourist industry, may provide some new job opportunities.

Cyclical unemployment

This results when recession causes businesses to close or lay off workers. It has been a main concern since the 1930's. The present volume can be only roughly estimated. Dr. Walter W. Heller, chairman of

joblessness

frictional
seasonal
cyclical
structural

the President's Council of Economic Advisers, suggests that it accounted for about 40 per cent of the number unemployed in February. Other authorities estimate it at about 25 per cent.

Recession unemployment, however, no longer monopolizes attention.

Since World War II we have had some success in limiting the severity and duration of recessions. Unemployment compensation reduces personal hardships; monetary and fiscal policy helps keep business declines within bounds.

Better and more timely information, including detailed data on inventories, would increase the effectiveness of fiscal and monetary policy and help business executives to smooth out inventory adjustments. The action of the federal budget as an automatic stabilizer could be improved. But the problem is understood, and rough tools are at hand.

Structural unemployment

This results when an industry, a

company or a skill becomes obsolete. It accounts for most of the unemployment of 26 weeks or more. Some short-term joblessness is also structural.

How large is it? No definite answer is possible.

The total probably exceeds two million. More information is needed on the rate of displacement, the number of workers in any year who become unemployed for this reason, as well as on the backlog of those who have not been re-employed.

While it is generally argued that structural unemployment due to mechanization is increasing rapidly, this conclusion may be a myth. Our entire history is one of rapid and basic change.

Now, however, the normal problems of economic evolution have become political issues.

Automation not new

Even automation is not new although its rate of use is rising and its form changing. The thermostat, controlling room temperature, is old. So is the windmill. Long be-

fore 1800 an automatic flour mill was in operation.

In fact, public concern with automation is itself tied to the business cycle. When the economy is operating at high levels and expanding rapidly, automation is taken in stride; when recession strikes, the press bulges with reports of change and displacement.

Mechanization may create, and in the past has created, more job openings than were destroyed, but the new jobs require different skills, often in different locations.

The demand for technical, managerial, and professional labor has been growing rapidly. The demand for unskilled labor has been declining. During the 1960's the need for professional and technical labor is expected to grow by 40 per cent. The number of jobs for unskilled labor is not expected to grow at all.

Of the four kinds of unemployment, the structural type causes the most concern and is the most stubborn to combat.

There are three basic approaches:

1. Preventing the decline of products, industries, methods and occupations.

2. Reducing the need for a business or worker to adjust to changing technology and market demands.

3. Encouraging resources, both labor and capital, to move more freely from declining to expanding products, industries, occupations and areas.

We all reject the first approach. It implies a moratorium on progress and change and a strait-jacket on the consumer who spends his income now one way, now another.

The second approach can be either good or bad. Efforts to raise the demand for declining industries and occupations by finding or developing new uses or new markets for their products may be desirable. On the other hand, efforts to raise demand by unnecessary government procurement, restrictions, trade barriers against foreign supplies, or subsidized sales are steps in the wrong direction. So are efforts to restrict output and entry of new companies in an industry.

The third approach—increasing mobility of resources—both reduces the costs of adjustment, and speeds progress. It creates and nourishes better-paying jobs.

With the nature of the problem diagnosed and the nature of the most efficient cure identified it is now possible to consider some of

(continued on page 88)

WHO WOULD PAY FOR SHORTER HOURS

Cut in workweek goal in negotiations, legislation

THE PERSISTENCE of high unemployment has rekindled the fight for a shorter workweek with no reduction in take-home pay.

Although President Kennedy opposes shorter working hours on the ground that the traditional 40-hour week is necessary "if we are to continue economic growth and maintain our commitments at home and abroad," others insist that, if everybody works fewer hours, there will be more jobs to go around.

Among these is Rep. Adam Clayton Powell of New York, chairman of the House Committee on Education and Labor. He says, "We have to meet automation with a 32-hour week."

Representative Powell has introduced a bill to cut the basic workweek from 40 to 37½ hours in two years and 35 hours in four years. For work beyond the basic week, workers would be paid time and a half.

Most unions go along with Representative Powell and will push for a shorter workweek in collective bargaining as well as through legislation.

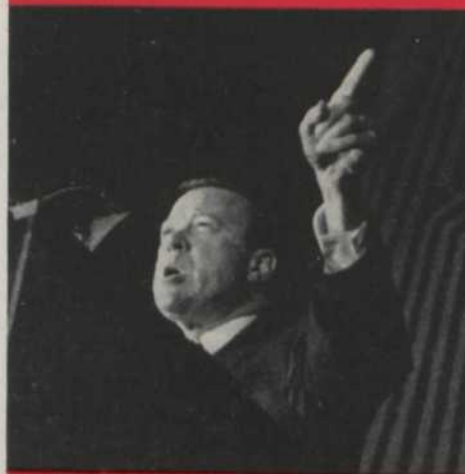
Organized labor's top spokesman, AFL-CIO President George Meany, says he has concluded that "the real solution—the real way to make automation a blessing instead of a curse—is national legislation to shorten the workweek still further."

David J. McDonald, president of the United Steelworkers, told a House Subcommittee on Unemployment and Automation that the workweek must be reduced to 32 hours to avoid permanent heavy unemployment not only in the steel industry but in the whole economy.

Walter P. Reuther, head of the United Automobile Workers, who opposed a reduction in working hours a few years ago, now has a plan for reducing the workweek in all industries. A demand to reduce hours of work in the automobile industry will be a major topic of discussion when the UAW bargains with the Big Three manufacturers this summer. Three-year labor contracts expire Aug. 31.

Both Mr. Reuther and Henry Ford II, president of Ford Motor

Rep. Adam C. Powell, chairman of the House Labor Committee, is sponsoring a bill to force reduction of workweek to 35 hours



David J. McDonald, head of United Steelworkers, once proposed three-month vacations each five years, now favors 32-hour week

Company, are members of the President's Advisory Committee on Labor-Management Policy, which will examine the question of shorter hours in studying the impact of automation on the economy.

Shorter hours will also be discussed by unions and employers in the metalworking, retailing, maritime, and other industries.

This new interest in less work for more pay raises questions which are important to business, workers, consumers, and the country as a whole.

- ▶ What do the unions want?
- ▶ How do they plan to get it?
- ▶ Who will pay for it?
- ▶ How will shorter hours affect jobs?
- ▶ Is a shorter workweek inevitable?

What unions want

Union leaders reason: If everybody works fewer hours and purchasing power is maintained, unemployment will be reduced and business activity spurred.

Aware that, historically, working hours have decreased as productive efficiency increased, unionists wondered a few years ago how workers should take their added leisure time—whether in a shorter workday, shorter week, more holidays, longer vacations, or what. [See "Unions Ponder Work Time Cuts," *NATION'S BUSINESS*, January 1957.] Mr. McDonald used to talk about a three-month vacation for steel workers every five years.

Their plans to get it

Because unions will push toward their goal both through collective bargaining and legislation, most employers will be affected whether or not they deal with a union.

Key bargaining situation to watch will be Mr. Reuther's negotiations with the automobile industry. He thinks that now is the time for the industry and the union to plan a reduction in the workweek.

Mr. Reuther also believes that the Federal Wage-Hour Law should be amended to provide for a gradual reduction in the basic workweek which would help unions bargain for still shorter hours.

The law, he believes, should provide flexible procedures to quicken the reduction in industries where it is more feasible, depending on the pace of technological progress, the volume of unemployment, and the country's needs.

A federal commission made up of representatives of unions, management and the public would supervise studies in each industry.

Mr. Reuther's interest in a shorter workweek has been hot and cold over the years.

In 1953 he opposed it on the ground that the need was for more houses, schools and other goods, and that 40 hours' pay for 30 hours' work would not buy more if only 30

(continued on page 54)



Walter P. Reuther, United Auto Workers president, plans to push for shorter hours in negotiations this year



HOW'S BUSINESS?

today's outlook

AGRICULTURE

Farm income prospects for this year are improving. The U. S. Department of Agriculture now expects farm operators' realized net income to rise about 10 per cent above last year's \$11.6 billion.

The principal reasons are:

1. Anticipated near record levels of farm marketings. Increased output of livestock and favorable crop prospects may offset the probable reduction in feed grains.

2. Higher average prices for farm products.

3. Increased government payments. Payments to cooperators in the feed grain program will add materially to total farm receipts.

Expiration of some Soil Bank contracts and the likelihood of roughly one per cent increase in farm production expenses during the year will offset some of the indicated increase in farmers' gross receipts for 1961, according to the Department of Agriculture.

CONSTRUCTION

The construction industry is engaged in important and continuing competition.

This competition occurs not only among firms within the industry, but also among construction firms and those of other industries. The products of the industry compete with those of many other industries.

Homes compete with automobiles, vacations and other goods for

the consumer's dollar. Warehouses compete with transportation services in providing goods at the right place and time.

To meet this competition, the construction industry is engaged in a continuing search for more efficient ways to employ men and materials. With a long-term pattern of rapidly rising wage costs and relatively steady materials prices, competitive forces dictate decreased use of onsite construction labor and increased use of prefabrication.

The wage rate index (1947-1949 = 100), which stood at 147.7 in 1956 had risen to 179.0 by January of 1961. The materials price index which was at 130.6 in 1956 was 130.0 in January, 1961.

These divergent wage and materials price patterns have set in motion competitive forces which have resulted in an increased materials output and reduced employment (from 2.9 million in 1956 to 2.7 million in 1960) while total construction volume, in constant dollars, increased from approximately \$46 billion in 1956 to about \$55 billion in 1960.

CREDIT & FINANCE

Withholding on dividends and interest is again in the spotlight.

President Kennedy recommended legislation to provide a 20 per cent withholding rate on corporate dividends and taxable investment-type interest.

The plan currently contemplates a gross withholding without ex-

emptions and with no report to the Treasury Department by those whose tax is withheld.

If this proposal becomes law, there would be substantial over-withholding for persons in the lower brackets. These include retired persons and others who would eventually pay less than 20 per cent or no tax at all.

Many critics feel that the costs of administering a withholding program would be greater than any possible revenue gains. The Treasury would have to process thousands of refund claims.

The expense to corporations of withholding and supplying shareholders with appropriate notices would be tremendous. Already the House Ways and Means Committee, which is holding hearings the first week of June, has received letters opposing this increased burden on government and private facilities.

DISTRIBUTION

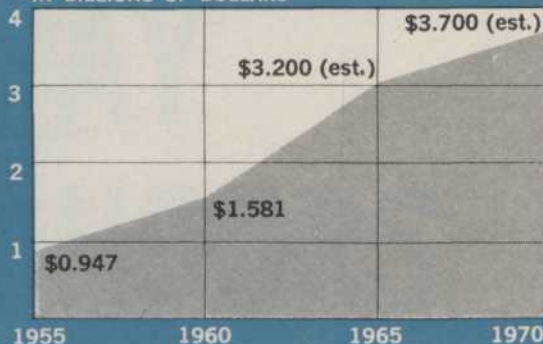
Despite many changes and new techniques in the food distribution business, some traditional functions have not only held their own, but are actually stronger than ever. One of these is grocery wholesaling.

Not many years ago, forecasts were that this form of distribution would soon be "a luxury that food retailers could no longer afford."

On the contrary, over the past five years wholesale grocery sales have been rising at nearly double the rate of gain in retail food sales. Today, these wholesalers are the

FEDERAL SPENDING ON WATER RESOURCES

IN BILLIONS OF DOLLARS



Source: Bureau of the Budget.

Chamber of Commerce of the United States

prime supplier to the numerous voluntary and cooperative retail chains and independent supermarkets.

These stores now account for about 48 per cent of national food store sales—as against 39 per cent for corporate chains and 13 per cent for unaffiliated independents.

By injecting new spirit into the independent retailer, food wholesaling has strengthened competition throughout the entire industry.

FOREIGN TRADE

Markets overseas are at a higher level than at any other time in the history of U. S. foreign trading. The economies of countries outside North America are progressing at an astonishing rate.

Industrial growth, advances in public health, education, transportation, sanitation—many of them sponsored or aided by the United States—have become the cornerstone on which the less developed nations are improving their standards of living.

The ultimate result of this progress is the creation of an international market with a sales potential for U. S. industry two to four times the size of the present North American market.

Unless United States manufacturers realize this potential and use the tools available to them to tap new opportunities for foreign sales, competitors in other countries are certain to grasp these emerging opportunities. Now is the time to explore this field.

GOVERNMENT SPENDING

If the vote on the Area Redevelopment bill can be used as a yardstick, a switch of as few as 15 votes in the House could decide the fate of the Kennedy foreign aid proposals.

Although opponents of backdoor spending have suffered set-backs on the Area Redevelopment and Veterans' Direct Housing Loans bills, they have not conceded final defeat.

A major battle will undoubtedly center on foreign aid. The Administration has argued for a five-year program to be financed by the backdoor method. Opponents see this as a five-year blank check for foreign aid and will insist on the regular appropriations process.

LABOR

The Labor Department has served notice that it will clamp down on violators of the Landrum-Griffin labor reform law.

In letters to all international unions and major management associations, Labor Secretary Goldberg has pledged "vigorous enforcement" of the law's provisions. He emphasized, however, that his primary objective is to achieve voluntary compliance.

More detailed disclosure of information will be required and closer screening of reports and records of those required to file under the Landrum-Griffin law is foreseen.

As a starter, a new joint committee of the Justice and Labor Departments has been established. The new committee will provide continuous contact between the two agencies in prosecuting violations.

NATURAL RESOURCES

A record \$1.4 billion for U. S. water projects is almost a certainty in the federal government's next fiscal year beginning July 1. The money, which will be supplemented by private, state and local funds, will finance a host of major water developments across the country.

Hydroelectric generating facilities, which will also add to industrial and municipal water supplies, will get a large part of these appropriations. A considerable sum will be spent on new dams in the West, particularly those relating to irrigation programs.

Saline water conversion is becoming more of a glamor item in federal budget discussions.

In 1952, the Office of Saline Water was set up with \$2 million appropriation for a five-year research program. Today the program has rolled up a \$20 million appropriation and is rushing toward another \$20 million.

At present 10 bills have been introduced in Congress to modify or expand the current saline water program. Senate bills introduced in this session have 20 sponsors.

TAXATION

President Kennedy's proposed investment incentive tax plan falls far short of the general capital

spending incentive that business needs.

Various other methods of encouraging business investment through true depreciation reform, on the other hand, have been proven effective, in this country and elsewhere.

In Canada, for example, a bracket system is being used successfully. Unlike American taxpayers, Canadians are not arbitrarily held to the physical life of an asset when figuring depreciation. Brackets of maximum and minimum useful lives are given, and the taxpayer is allowed to choose any useful life within the bracket for tax purposes.

Major depreciation reform for this country was postponed on the ground that Treasury studies so far have been inconclusive.

Strangely, this is an area that has been studied for more than a decade.

If more realistic depreciation is not achieved this year, it is hoped such proposals will be included in the more extensive tax overhaul the President promised for next year.

TRANSPORTATION

A proposed revised highway finance program, to augment the depleted Highway Trust Fund, is near final passage in Congress.

This legislation is designed to add approximately \$900 million annually to the fund, the amount needed to complete the 41,000 mile system by 1972.

This compromise legislation is aimed at maintaining the present four cents a gallon tax on gasoline and diesel fuel for the duration of the program; increasing to \$3 the present annual tax per 1,000 pounds on trucks over 26,000 pounds; raising to 10 cents a pound the tax on tires and inner tubes, and raising to five cents a pound the tax on tread rubber.

In addition, all of the 10 per cent manufacturers' excise tax on trucks, buses and trailers would be diverted from the general Treasury to the Highway Trust Fund, instead of only five per cent.

This plan represents a compromise of many proposals.

If approved, the future of the Federal-Aid Highway program would seem to be largely settled at its original time schedule and on a pay-as-you-go basis.

REDS AT BORDER

continued from page 33

approach to communist world-domination plans first outlined by Lenin: "First we will take Eastern Europe, then the masses of Asia, then we will encircle the United States, which will be the last bastion of capitalism. We will not have to attack. It will fall like an overripe fruit into our hands."

Reds see opportunity

While Mexico appears safe from communist take-over for the near future, many people in this capital city believe the ripening process is well advanced in many Latin American republics.

The Kremlin bosses have been quick to recognize this.

What happened in Cuba, our intelligence sources inform us, astonished Khrushchev. He had not anticipated the ease with which he could gain and hold a foothold in this hemisphere.

This is why the communists are moving to hasten the ripening process in Latin America and to speed the encirclement of the U. S.

Mexico is an ideal base for communist operations in this hemisphere. Crossing the border into the U. S. and back again is no problem. Mexican security is notably lax and inefficient. Agents who are glad to spy on us are easy to find. In the U. S. they can move about freely to spy on missile bases, airports, troop locations, highway routing, and industrial developments, particularly in southwestern and western states. Scores, usually traveling as tourists, enter the U. S. each year.

To keep this espionage operation in perspective, it seems worth noting that the effectiveness of these spies is somewhat questionable since much of what they learn can be, and is, supplemented from other sources.

A principal communist objective, however, is to build and maintain a taut corps of followers who can be relied upon in years ahead when the timetable for communist conquest moves closer. In this regard, the spying operations must be considered a success, as the backlog of tested followers is continuously enlarged.

Communists in unions

Inside Mexico, communist efforts to infiltrate the labor movement—an activity with high priority in all Latin American republics—have

fallen short of goals. The Confederation of Mexican Workers, with an estimated 1.8 million members, is larger than all other unions combined. Once this group was heavily infiltrated by communists, especially in the higher echelons. Now the union's secretary-general is Fidel Velazquez, also a senator representing the Federal District (Mexico City). This group today is one of the most stable elements in the country and its leader is a strong anticommunist spokesman.

Communists operate through such organizations as the General Union of Workers and Peasants of Mexico. This is a cover organization. Unions in Mexico must be legally recognized. This one is not. It has few members and no company contracts. Its operations are confined largely to rural areas.

The Workers Revolutionary Federation is a legally registered group. It heatedly pursues issues important to the promotion of Red ideas. The union claims 2,000 members but has only one contract involving 380 workers employed by a company that makes toilet equipment.

Two other unions—one with about 8,000 members, the other with about 7,000—have noncommunist leaders, although they are infiltrated by communist members.

Influence among teachers

Infiltrating the school system ranks high as a communist objective. In this the Reds are making conspicuous progress. The influence of communist ideas is clear-cut

and forceful. Some teachers are known communists. Many sympathize with socialist goals. Others, of course, do not.

All teachers, on the other hand, are exposed continuously to ideas that are profoundly anti-U. S. For example, a monthly magazine distributed to them prints many articles written by Soviet and pro-Soviet authors. A recent issue blames the U. S. for trouble in Algeria, advocates the Soviet view of last year's summit conference failure, and blames the U. S. for many other world problems. Christianity is attacked. The Panama Canal and the "masters of America" are criticized. U. S. diplomacy around the world is called a monstrous failure and capitalism, the periodical claims, lives under a war economy. If threat of war doesn't break out periodically, the magazine editorializes, the Americans face a crisis. Thus, the journal concludes, Americans have propagated the theory that war is a necessary evil.

Exposure to these ideas works to the detriment of the U. S. Teaching such ideas to the pupils of Mexico will in a few years create a much broader base of communist acceptance. To many long-time observers of Mexico and communism in action, the influence on education constitutes by far the most serious long-range threat.

It must be understood, however, that in Mexico a clear distinction is made between procommunism and anti-Americanism.

To a citizen of the U. S. these often appear the same.

The difference seen by Mexicans is important and explains, in part, the lack of official anticommunist pronouncements. It is possible, as Mexicans view it, to be anti-U. S. without being communist.

The Mexican government, to an American, appears to be largely indifferent to the extent to which communism could jeopardize the long-range future of the country. The Federation of Unions of Government Employees is not a communist organization. But it has 320,000 members, the biggest unit of which is the teachers' union, which makes up a third of the total membership. Here is a vehicle through which communist disturbances could be organized and executed in the years ahead. This explains why the communists are sparing no effort at infiltrating the schools and feeding propaganda where they know it will do much future good for the party.

The Mexican government, on the
(continued on page 48)

Cubans abandon Castro

There's growing unrest among Cuban career diplomats in Mexico who object to being turned into communist agents.

Many already have defected, including Second Secretary Antonio Montane, fourth ranking Cuban embassy official in Mexico City, and his wife.

Senor Montane, 24-year career diplomat, explains that Cuban affairs in Mexico City are controlled by the Soviets who make frequent and regular visits to the Cuban embassy to coordinate the vast propaganda and infiltration activities of the communists.



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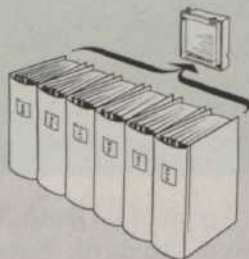
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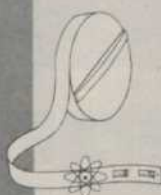
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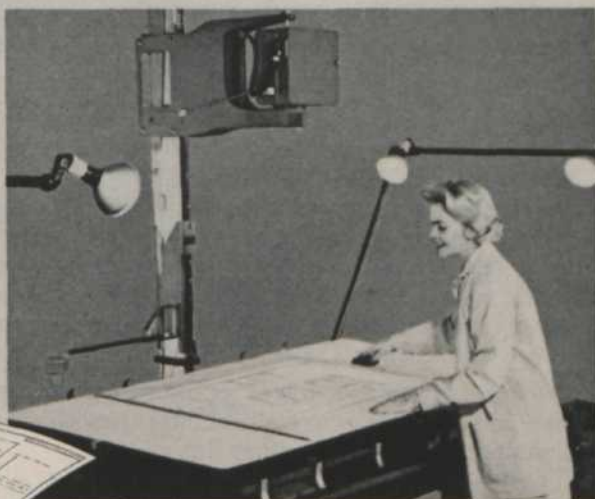
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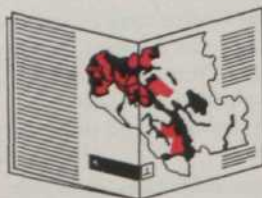
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REDS AT BORDER

continued

other hand, is not wholly asleep to the threat of communism. Government officials, however, have no enviable record of anticommunist speeches. The present government can no more be labeled anticommunist than it can be called communist, on the basis of public pronouncements.

But one top-level Mexican official, in an interview with *NATION'S BUSINESS*, explains that the government does have a good record of action against communism. He points out proudly that a number of topflight Reds are in jail.

Others, he says, could find themselves in jail overnight—whenever their activities might call for such measures.

What lands a communist in a Mexican jail? Advocating defiance of the government.

This is the key. Whether communist or not, actively challenging the authority of the government is a serious offense. Authorities deal with such threats promptly.

The communists understand this. From time to time their actions would seem to test out the policy. When this happens, key agitators are picked up and jailed. Communists therefore are usually careful about advocating defiance of the government openly.

This raises a question: Why don't the communists go ahead faster in their efforts to take over the government? Why not now—in 1961—rather than 1964?

The answer is they couldn't—at this time. There always is a danger, a Mexican official points out, but a broad-scale effort now would most likely fail and would intensify take-over problems for the long range.

In short, Mexico—even if it could be captured at this time—would quickly become an economic and political liability. There is reason to believe that such action would create anticommunist unity in other Latin American countries, thus slowing—rather than speeding—the ultimate take-over of new territory.

Threat will increase

There are many Mexicans—businessmen, government officials, and citizens—as well as American long-time residents of the country, who sincerely believe that at least 10 other Latin countries are in greater immediate danger from communism than Mexico. There is general agree-



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REDS AT BORDER

continued

ment, too, that the long-run threat to Mexico will increase. Government officials, however, confidently expect to prevent any antigovernment power build-up, including communist power.

From the communist viewpoint Mexico holds great promise, especially in the next three to five years. The freedom of communists, within limitations, aids their build-up plans.

On the other hand, the communists are having organizational problems. From the Soviet point of view, the communist set-up in Mexico is anything but a model organization.

Politically, Mexican communists are split three ways—Popular Socialist Party, Communist Party of Mexico, and the Workers and Peasants Party of Mexico. Efforts to bring all Reds together have failed repeatedly. It is a false hope, however, to count on a continuation of these divisions. New and vigorous efforts are being made to overcome differences.

The character of Mexican politics offers little hope for those who would rise to power through elections. There is only one political party of importance. It is the party in power.

Two or three dozen other political parties exist, but none constitutes the remotest challenge to the party in power.

It is the aim of the communists therefore to infiltrate the major party and influence both its policies and the naming of officials. They want very much to be able to name the next president, who will take office in 1964.

The most important force in Mexico, other than the government, is the following of Gen. Lazaro Cardenas. He served as president between 1934 and 1940 and started the Mexican nationalization of industry in 1938 by taking over the oil industry.

Nationalization has continued at a swift pace until today the government operates nearly 300 companies, including railroads, airlines, steel mills, electric power, even a chain of movie houses.

As a revolutionary general, President Cardenas enjoyed great popularity and even today is almost a legend among the Mexican people, particularly in the rural provinces.

A new movement has grown up behind him. He does not admit to

being a communist, nor does he deny it. To a direct question his reply is that he cannot be against anything that attempts to do so much good for the world. The general has traveled in Russia, Red China, and Castro's Cuba. He has had many good things to say about what is happening in the communist countries, and he is violently anti-American.

This is precisely the kind of leader, or front man, the communists need in Mexico. It doesn't matter whether he is a communist. His anti-American leanings are sufficiently in harmony with communist viewpoints for them to use him effectively.

The group around General Cardenas, for the immediate months ahead, poses perhaps the most spectacular threat to hemispheric unity. Temporary headquarters for the organization have been set up on Maricopa, a street on the outer edges of Mexico City. This group recently staged a rally of communists and left wingers from throughout the Americas. An effort was made to mold a program and spark

a more intense feeling against the U. S.

The rally failed, in the view of Americans living in Mexico and in the unofficial view of Mexican officials and businessmen. Handling of this rally demonstrates the anti-communist actions of the government. The meeting, for example, was held in a ramshackle building in the outlying part of the city because no more suitable location was available.

This was not accidental. The government's influence was instrumental, in an unofficial manner, in pushing the rally out to an area where it was likely to go unnoticed.

In midtown Mexico City one of the easiest things to do is to attract attention. A slight incident, such as locked bumpers, will draw a crowd. In such a setting the rally would have sparked riots.

How government acts

It was the strategy of Mexican officials that news of the conference be suppressed. No word of the rally, for example, appeared in the regular newspapers. The fact that

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Your marketing strategy will benefit if sales force is fully informed on company objectives and able to offer advice on customer needs. Successful methods to accomplish this are outlined.

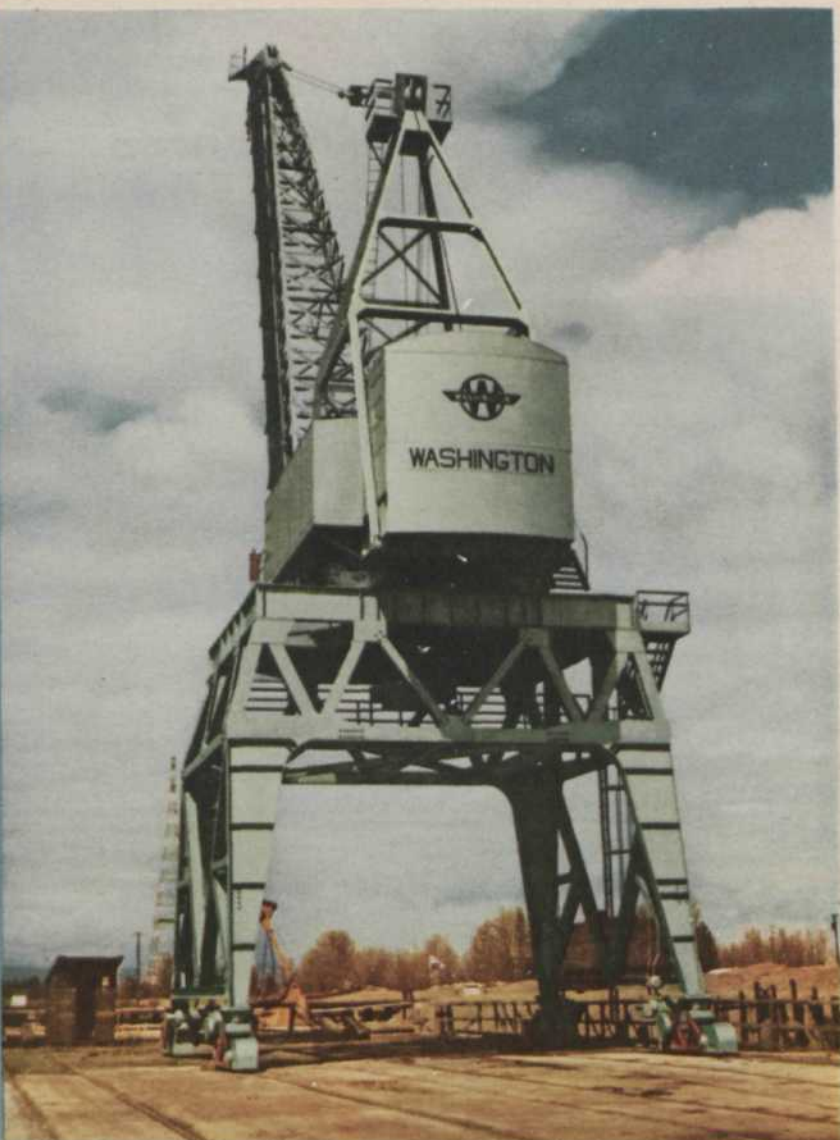
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Nation's Business

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protection... it's
colored aluminum
paint made with
pigments

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DERUSTO ALUMINUM COATS A CRANE

Colored aluminum paints are sweeping the Pacific Northwest, reports our man on the scene. One of the spectacular applications is this new 50-ton gantry crane operating at the Port of Vancouver, Wash. Installed in 1959, it was sealed from the weather with a quick-drying coat of green Derusto Aluminum, made with ALCOA® Pigments by Master Bronze Powder Co., Inc., Calumet City, Ill.

That started a trend. Today, Derusto protects similar cranes in the Ports of Portland, Seattle, and Anchorage,

Alaska. There's no better way to maintain weather-exposed property and equipment... and spruce up appearances, as well. Durable, elastic and highly decorative, aluminum paints like Derusto reduce the possibility of damage from overspray. Users say they dry to touch in 15 minutes.

ALCOA does not make colored aluminum paints, but we'll be happy to refer you to reputable manufacturers who do. Send the coupon for our booklets on all types of aluminum paints and roof coatings.



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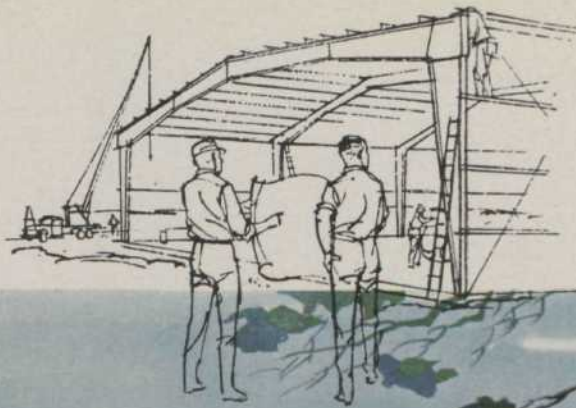
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Architect / Philip Fisk, A.I.A., Honolulu

REDS AT BORDER

continued

the government operates the news-print distributing company perhaps had something to do with this.

Hence, only a handful of Mexicans know about the rally to this day. Its intended edge thus was dulled considerably.

This is an example of how the government acts—even where it does not speak—to control communism.

The explanation of one high government official—who, like nearly everyone in Mexico, refuses to be quoted except on the most inconsequential matters—was this: "We let the fuse burn after removing the bomb."

He thinks it is better to allow such a rally to go on than to suppress it.

Suppression would create a new set of problems which the government, for reasons of its own, would rather not face at this time.

Why doesn't the government act more affirmatively—out in the open? This official explains that such rallies are held in the U. S. Why should Mexico suppress them when the U. S. does not?

The real answer, however, is more complex. The Reds picked General Cardenas to head this movement because he is popular in rural Mexico. To shut him up officially would obviously create a greater stir than to do so quietly.

What's coming next

What will happen next? The backers of the Cardenas movement are not finished.

The program calls for trouble to spring up next in Central America. Top priority is given to Panama. A determined effort will be made to nationalize the canal. The group also will attempt to stir up trouble in Puerto Rico, which they want to free from Yankee imperialism. In addition, they hope to promote more diplomatic and social ties with the Soviets and Red bloc countries throughout South America.

Many in Mexico, including both Mexicans and Americans living and working there, believe the communists are being allowed too much freedom. Many are alarmed at the prospects for 1964 and beyond.

In any case, the communist battle for Mexico—with the U. S. as its target—is moving into a new stage. The Reds intend to win. Their appetite for ripe fruit has been sharpened.

END

Robertson Bros. Motors, Cadillac-Pontiac automobile dealers in Dothan, Ala., have been furnishing first-class transportation and service to people of their area for twenty years. Robertson Bros. furnishes its covered employees and their dependents with first-class insurance protection, too, through a New York Life Employee Protection Plan.



**"We view it as truly
the very best of coverage!"...**

SAYS THURMAN ROBERTSON, at left, partner of Robertson Motors, about his company's New York Life Employee Protection Plan. "It provides a well-rounded program of benefits for our employees, with the same high quality and service as we provide for our customers."

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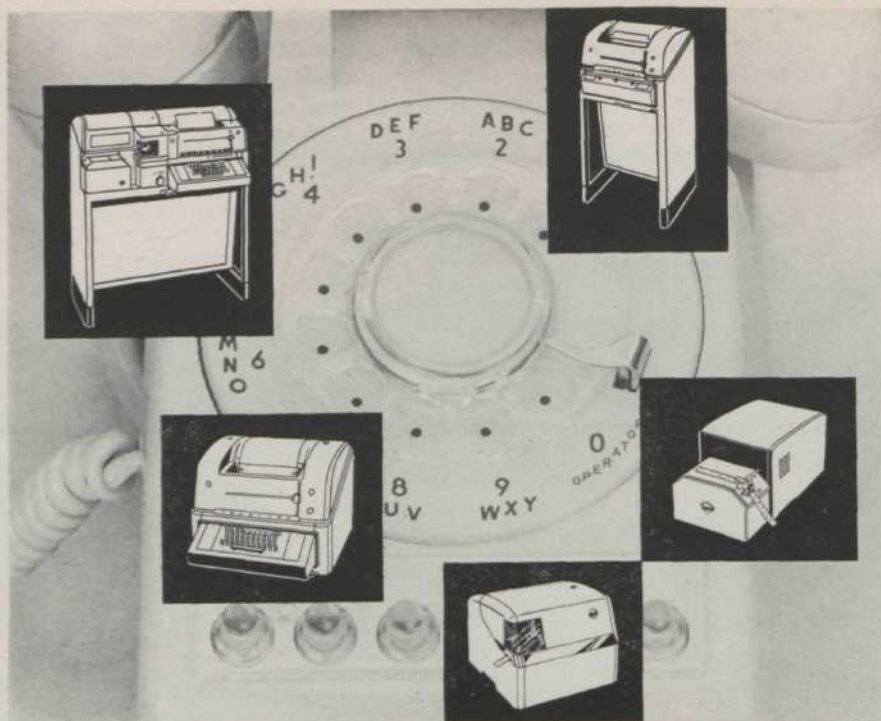
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Teletype equipment in Data-Phone service

All Teletype sending and receiving equipment—page printers, tape punches and tape readers—can be used in Data-Phone service, the new Bell System method of data transmission via regular telephone lines.

Data can be speeded over local or long distance lines—to a single destination or to several destinations simultaneously. The data can be received on plain message paper . . . punched paper tape . . . or marginally perforated business forms of almost any size to meet your needs. And always there is a "home record" of what is sent.

Significant paper work simplification and time savings can be achieved in handling accounting and billing information, inventories, payrolls, invoices, sales orders, ticket pick-up and numerous other kinds of business detail. If desired, punched tape can be obtained as a by-product of both sending and receiving operations, for later use with business machines.

A growing number of firms are already using Teletype equipment over Data-Phone circuits. For example, companies that purchase large quantities of airline space place orders by phone, then receive tickets on Teletype printers right in their own offices. With this method, tickets are received faster, messenger service is eliminated, and records for accounting purposes are automatically provided.

Teletype Corporation manufactures page printers and tape units such as the Model 28 equipment illustrated above for the Bell System and others who require the utmost reliability from their data communications facilities.

If you would like to investigate the advantages of Teletype equipment for your business, write to Teletype Corporation, Dept. 12F, 5555 Touhy Avenue, Skokie, Illinois.

TELETYPE®
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SHORTER HOURS

continued from page 41

hours' output were available. UAW leadership branded attempts within the union to press for a 30-hour week as "a communist trick to weaken our might and reduce our standard of living."

Four years later, Mr. Reuther began to push for shorter hours. But the Russians launched their first sputnik and the American people became concerned about our military strength. That was not the time to push for more leisure. So the idea was dropped from the union's 1958 demands. Now it is one of the UAW's top objectives. Automobile management will resist any forced and precipitous reduction in the workweek. Besides the inflationary effects and economic cost of shorter hours at higher pay, the companies face the need for a flexible workweek to keep pace with varying customer demand.

The most recent AFL-CIO convention went on record for a 35-hour week under the wage-hour law. Being realistic, AFL-CIO lobbyists are not giving priority to this legislation this year. They plan to make their fight in the next Congress in 1963. But they are laying the groundwork now.

The extra cost of working employees more than 35 hours under the proposed law would make the 35-hour week virtually standard in all industries covered by the law.

It would also force still shorter hours in industries in which many workers are on a schedule of less than 40 hours a week by union contract. These include ladies' apparel, men's clothing, printing and publishing, construction, mining, oil and gas, and communications.

Who will pay

The only way a shorter workweek can be paid for without hurting the economy is by increasing production efficiency so that we can produce in the shorter period what we now produce in 40 hours.

If 40 hours in wages are paid for only 32 hours of production, workers will have the same amount of money to spend but they will be producing fewer goods and services. Prices will rise and inflation will make the gain imaginary. Workers will have sacrificed their ability to maintain their present level of purchases to obtain additional leisure.

A shorter workweek cannot be taken out of profits. Profits are needed to provide improvements in

First from General Electric (1959)...

another bright idea that became a better
lamp for you... Quartzline lamp

packs more light in
less space than any other filament lamp

Listen to the nearsighted Mister Magoo . . . "1959? Seems like last week! I volunteered but the authorities picked seven other Astronauts—and General Electric invented the Quartzline lamp. Happy birthday, Quartzline. Tarnation! This confounded pen won't write!"

Understandable mistake, Mister Magoo. The 5-inch, 500-watt Quartzline is no bigger than a pen. But it's 19% more efficient than a regular lamp, never grows dim, and gives you better light control than any earlier lamp.

Every Quartzline lamp stays almost 100% bright throughout its life—because General Electric engineering leadership found a way to keep tungsten vapor from blackening the glass. G.E. puts iodine gas in the lamp to catch the particles evaporating from the tungsten filament. Miraculously, the iodine re-deposits them, over and over again, on the steadily-bright filament. This process makes the 5-inch Quartzline last 2000 hours, twice as long as a regular bulb-shaped lamp.

Use Quartzline with the right reflector, and it'll give you a precise, powerful, rectangular beam of light in one direction—as narrow as 6° or as wide as 100°. No elaborate lens system is needed.

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Applications? Stadiums. Airport runways. Building facades. Show windows. Inspection or outdoor work areas. Don't worry about rain and snow. Quartzline resists thermal shock.

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SHORTER HOURS

continued

plant and equipment which help create jobs and make work easier and more productive. Profits of manufacturing companies run about five per cent of sales.

By conservative estimate, labor costs represent 40 per cent of sales. Reducing the workweek to 32 hours, with pay for 40 hours, would raise labor costs 25 per cent. This would equal 10 per cent of sales, or double present profits.

If output per man-hour continues to rise as it has since the war, it will take eight years before we are able to produce in 32 hours what we now produce in 40.

Effect on unemployment

Some union economists do not agree that a shorter workweek is necessary to cope with heavy and prolonged unemployment.

Edward E. Phelps, research director of the Oil, Chemical and Atomic Workers Union, says, "We may gain on employment through the shortening of hours, but within two years it would have little effect on the unemployment situation. We could not expect a few less hours of work to solve a bad situation of unemployment on a long-term basis."

Albert S. Epstein, economist for the International Association of Machinists, adds, "Shorter hours hardly seem a cure-all for all types of unemployment."

Cutting working hours does not attack the causes of unemployment.

"At first sight it might seem that a reduction in the workweek—to 35 or 30 hours—would make a great contribution to solving the problems of technological unemployment," Prof. Clyde E. Dankert of Dartmouth College says in a paper he prepared for a Senate Committee on Unemployment Problems.

"A little serious reflection, however, will reveal that although a reduction in hours may temporarily cut down the amount of such unemployment, it will not permanently free us from the problem.

"This is due to the fact that a reduction in hours does not strike at the causes of technological or any other type of unemployment."

A shorter workweek can also be harmful because it tends to hold more employees in an industry or a city where the need for labor is declining. This would permanently reduce earning prospects for the employees and indirectly reduce in-

(continued on page 60)

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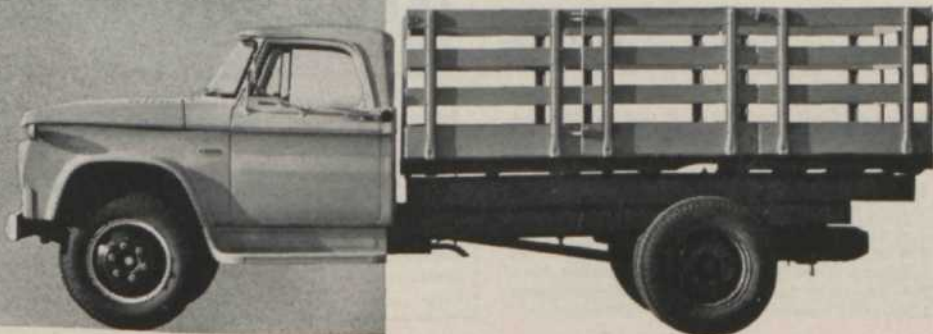
The Dart Pickup is powered by the Dart Power Six. This engine has a block slanted 30° from the vertical. It makes room for the most carefully laid-out manifolding system ever used in a truck. Result: A man-sized amount of work from every gallon of regular. Dart Pickup proved this by repeatedly beating Ford and Chevrolet in the only kind of economy test that counts—actual miles per gallon.

The Dart Pickup has a new body and cab. New clutching, shifting, handling. The suspension system is simple. Weight distribution is efficient. And the ride is remarkably smooth and steady.

Add to that its muscle, hustle and money-saving ways, and you have an exceptional truck buy. SEE YOUR DODGE DEALER.

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THE DODGE D500 STAKE. Available with 9', 12' and 14' stake bodies. With a GVW to 19,500 lbs. As a tractor, the D500 goes to a 34,000 lbs. GCW. Standard engine is a 251 cu. in. Six. Optional engines include a heavy-duty Six and two truck V8s.



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On office time, too! Work doesn't really get under way in most offices until the morning mail is opened and distributed. A MailOpener can start your business day earlier, save time, speed routines.

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SHORTER HOURS

continued

come in the economy as a whole.

Reduced hours may in fact retard economic recovery as workers take second jobs which might otherwise be filled by the unemployed. Such moonlighting is common in Akron, Ohio, where employees in rubber plants work a six-hour day, 36-hour week. Some unions punish members who moonlight. There is also talk that a shorter workweek might lead to laws against holding two jobs.

Unemployment could worsen if unions won their objective of fewer hours with no loss in take-home pay. Increased labor costs would encourage the substitution of machines for workers and encourage more foreign investment, which would tend to reduce demand for American labor.

The workweek has dropped from some 70 hours 100 years ago to 40 hours today—an average of three hours per decade. If the average reduction were to be projected into the future, men would be working only 10 hours a week 100 years from now, one hour 30 years later, and would not have to work at all after that. Obviously, this is absurd.

What happens is that workers choose to distribute their share of increased productivity between higher wages and more leisure.

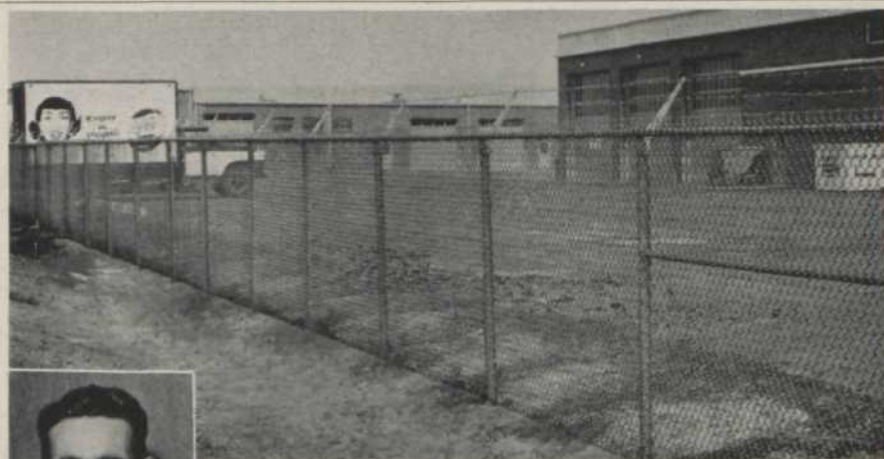
According to Prof. William Haber of the University of Michigan, workers have taken 60 per cent of increased productivity in higher real wages and about 40 per cent in more leisure time. Many feel that, in the future, workers will prefer to take more of their economic gains in higher pay rather than in leisure. Some predict the ratio may be 75 per cent in higher pay and 25 per cent in shorter hours.

Experience supports the belief that workers prefer more pay to more leisure. This is evidenced by the spread of moonlighting in areas and industries with short workweeks and by the complaints employers get when they schedule overtime work for only part of their work force. Most complaints come not from those who are kept overtime, but from those who are denied the chance to earn extra pay.

There are at least two reasons for this. One is the recognition even by union leaders that, for most work today, 40 hours a week is not a heavy burden.

The other is the worker's desire to be able to buy more goods and services.

END



"... makes a safe outdoor 'garage' for our 45 trucks ..."

says W. L. Hause, Assistant to the President, Pepsi-Cola Bottling Co., Inc., Pennsauken, N. J.

"Our plant yard is a very necessary part of our operation, so our Anchor Fence must meet several needs. And it does. Keeps out trespassers, makes a safe outdoor 'garage' for our 45 trucks, permits outside storage of other equipment, too. It's ideal for traffic control. As for maintenance—our Anchor Fence is virtually repair-free."

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All Bassett plants are completely conveyerized. Over \$12 million have been invested in new plant and equipment during the past 10 years. In addition to abundant supplies of local hardwood, Bassett imports mahogany and other tropical woods through the modern ports of Hampton Roads.



New \$1,500,000 office building of Bassett Furniture Industries will have most modern electronic equipment. Yet just a few minutes drive from this building are beautiful Blue Ridge Mountains . . . 5,000-acre Fairystone State Park . . . 100-mile shore line Philpott Lake with its fishing, boating, swimming.



"Virginia is the grandest place in the world to work, to live and to make money," says J. D. Bassett, Jr., Chairman of the Board, Bassett Furniture Industries, Inc.

In 1902 Bassett had 65 employees, a \$65,000 yearly volume. Today, world's largest manufacturer of wood furniture, Bassett employs 3,000 people, does \$60,000,000 annually.

What's behind Bassett's great growth? Wood . . . and people! Virginia's vast reserves of hardwood, and Virginians with a heritage of craftsmanship. More than 90% of Bassett employees are skilled workers. Many are the second and third generations to work at Bassett. Drawn from a 25-mile radius, two-thirds own their homes. Turnover is low, productivity high.

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GEORGE TAMES

President Kennedy often drops into staff members' offices to discuss problems because, he says, "It enables me to keep in much greater intimacy with the responsibilities we have"

WHAT'S GOING ON IN THE WHITE HOUSE

Image of President Kennedy
as a lone wolf is misleading

PRESIDENT KENNEDY, by chance or design, has achieved the public image of a lone wolf in the White House—a captain who stands alone on the bridge, sending an occasional message to the engine room but setting the course and steering the ship quite unaided.

This view is only partly justified. The President does make his own decisions. His quick mind, political sense, and voracious appetite for information and work all help make him enormously effective in the toughest job in the free world. But the lone wolf image obscures a highly important fact:

Working closely with the President is a large, able, and devoted staff. Their abilities, personalities, and political orientation clearly have a major influence on the President, his actions and policies.

As a matter of fact, the size and scope of the White House staff is one of the more surprising aspects of life on the New Frontier. When Mr. Kennedy was in the House and Senate, and even during the presidential campaign last fall, he worked with a comparatively small staff. In the days between the election and his inauguration, a constant stream of press releases and publicity statements reported his plans for cutting the White House staff down to a workable size from what it had become under President Eisenhower.

Now the picture is quite different. Although it is

difficult to arrive at an exact total, since some staff appointments still have not been publicly announced, some 30 professional people are known to be on Mr. Kennedy's personal staff. While this is well below the 43 professional helpers President Eisenhower had at the end of his second term, it is not too far from the total Ike had as he began his White House tour of duty. It is well above the 22 former President Truman had when he left office in early 1953.

Furthermore, the Kennedy staff is important as well as big. It plays an active role in the formulation of policy, both foreign and domestic. It keeps track of the manner in which policy, once established, is carried out by the executive departments. It helps the President push his legislative program through Congress. It helps him anticipate and prepare for questions newsmen may ask at his press conferences.

No single man is the power behind the throne. No one assistant is as important as Sherman Adams was under President Eisenhower. But collectively the White House staffers are a major factor in the exercise of presidential power.

President Eisenhower liked a neat staff set-up, with clear responsibilities for each individual and with responsibility funneling up to him through a well defined chain of command. Each Eisenhower staff man stuck pretty well to his own specialty—economic af-

Theodore Sorensen (right) exercises a major influence as the President's special counsel, backed up by assistants Lee C. White, Myer Feldman, and Richard N. Goodwin (left to right)

ROBERT PHILLIPS



WHAT'S GOING ON IN THE WHITE HOUSE

continued



McGeorge Bundy (seated) talks over international problems with deputy Walt W. Rostow. The two professors advise on defense and foreign policy

fairs, personnel, foreign trade, speech-writing, or whatever.

The Kennedy staff, by contrast, is full of imprecision and overlap. A busy day at the White House offices gives an impression of utter turmoil, something that President Eisenhower would never have tolerated.

There is little chain of command, and most everyone feels free to take his problems and ideas directly to the President. There is a division of responsibility, but it is likely to be breached at any time. Though textile industry problems clearly fall in the jurisdiction of one aide, another actually handles them because he once did the same job on the Kennedy Senate staff. Another works on Cuban policies not because he's a foreign affairs expert but because he once helped draft a White House statement on Cuba. So far, the system seems to have worked, though confusion seems constantly just around the corner.

That there still are bugs in the Kennedy approach to the complex task of the presidency was made clear by the Cuban invasion fiasco and the uproar that followed it. Although it is too early to attempt an appraisal of just what happened or to place the blame for what was apparently a bad decision, these conclusions appear clear:

First, a loose-knit organization such as the President has selected requires the highest quality work by his personal staff. The men close to him must make certain that he gets accurate and full informa-

tion, that he is equipped to examine a problem from every side before making a decision.

A second and related point is that some of the organizational structure he chipped away had a purpose—to provide an efficient, if not inspired, basis for executive action. There were, in effect, built-in safety devices able, in part because of their very cumbersome nature, to forestall serious missteps. It now appears that the Kennedy team has not thought enough about replacing the safeguarding functions of the abandoned machinery and has gotten much too deeply involved in the operating—as opposed to the supervisory—function.

President Kennedy usually starts his day meeting a few staff men to go over major programs. Almost invariably staff sessions are his last official duties at night. One, two or several staff members almost always sit in on his meetings with cabinet members, lawmakers, other officials. Individual aides pop in and out of his office all through the day with proposals and ideas; the staff finds Mr. Kennedy more accessible as President than he was as a member of Congress or presidential candidate. From time to time, too, he will drop into a staff member's office to take up some problem. He thinks nothing of calling an aide at home in the evening or on weekends to give an assignment or seek advice.

Members of the White House team have much in common. They are young; the average is about 37,

and most are just a few years one side or the other of the average. Practically all fit into the same political slot; they are pragmatic internationalists in foreign policy and pragmatic liberals in domestic affairs. They have basic New Deal orientation, but a realistic view of the politically possible and a willingness to compromise or even retreat when political necessity demands. They are ready and willing to use the power of the federal government for whatever purposes they deem necessary.

They consider themselves workmen rather than public figures, and for the most part cultivate anonymity. They get their professional kicks from behind-the-scenes influence on national and world affairs, not from public recognition.

Most of the present White House men are longtime Kennedy assistants, going back to Senate days or before. All share a passionate, single-minded devotion to the President's career. There are few specialists—instead, they are mostly smart, agile generalists, ready to wear any hat the President picks out for them.

The President has likened his staff set-up to a wheel and a series of

(continued on page 68)



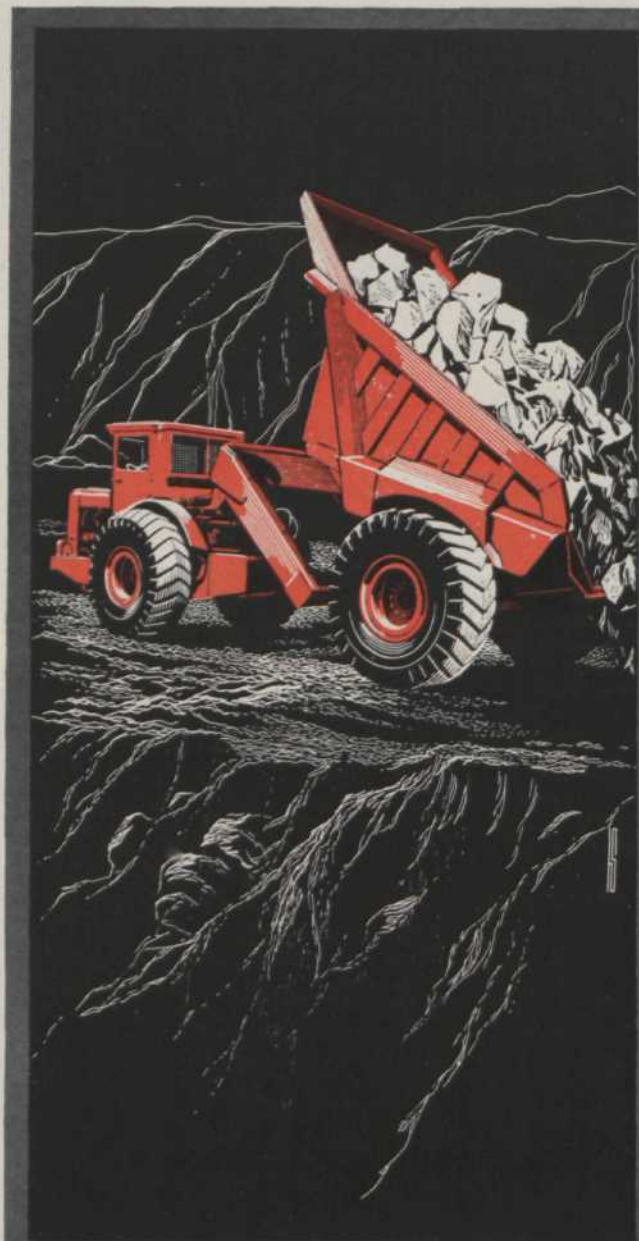
Ralph Dungan, whose function is to keep whole staff machine running smoothly, reviews letters with secretary, Lenore Ostrow

Lawrence O'Brien (second from left), the President's patronage and congressional liaison aide, maps strategy with Henry Wilson, Mike Manatos, and Claude Desautels (left to right)

PHOTOS BY ROBERT PHILLIPS



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Blasted rock rides up from a quarry floor . . . crunches through giant crushers . . . shakes through a series of screens . . . challenges the blades of bulldozers and motor graders as it is transformed into a finished roadbed. These are jobs that demand the toughest machines—and skilled, reliable service to back them up. Our century-old company tradition of *extra care* in design, workmanship and service, provides the combination of performance and long life that means *extra value* for our customers. Here are four examples.



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ALLIS-CHALMERS
POWER FOR A GROWING WORLD

THE WHITE HOUSE

continued

spokes—the staff members being the rim of the wheel and the spokes each man's direct connection to Mr. Kennedy at the hub.

"I try to keep in contact with all these men individually," Mr. Kennedy recently told an interviewer, "because I think it enables me to keep in much greater intimacy with the various responsibilities we have."

This arrangement also permits the President to encourage what he calls a "clash of ideas" by having a number of staff aides working in the same field. He believes this gives him a broader choice of counsel than if responsibilities were more strictly assigned and recommendations came from only one staff source.

The loose staff arrangement has helped produce some other notable changes in the way President Kennedy runs his job. Cabinet meetings are an example. The President feels that few items of government business concern every cabinet member and that frequent meetings of the full Cabinet are bound to waste time of individual members.

P. Kenneth O'Donnell, the guardian of the President's time, pops in and out of his office a dozen times a day

GEORGE TAMES



JACQUES LOWE

Jerome B. Wiesner, who is Mr. Kennedy's science adviser, has skeptical attitude toward many projects

"Why should the Secretary of Defense listen to a discussion of postal rates," he asks, "or why should the Postmaster General sit through a meeting on farm policy?"

In the first 90 days of his Administration, the Cabinet met only four times. He prefers to work with cabinet members individually or by two's and three's, dealing directly with the men concerned with a particular problem. For example, a resources problem might be taken up with Interior Secretary Udall, Agriculture Secretary Freeman, Chairman Heller of the Council of Economic Advisers, and one or two of the White House staff members.

Secretary of State Rusk, Defense Secretary McNamara, Budget Director Bell, and appropriate White House aides might handle a new security matter. This idea of frequent meetings with a few cabinet members but few meetings with the whole cabinet explains a recent Kennedy remark that "I think in the future we will find the Cabinet perhaps more important than it has ever been, but cabinet meetings not as important."

President Kennedy has proven impatient with interdepartmental committees and other permanent and semipermanent special government bodies. In his first two months in office he abolished some 60 of

these. He believes special committees tend to become entrenched, to develop a vested interest in staying alive, and find or pretend to find reasons to continue.

To avoid this he uses task forces or assigns interagency problems to individual cabinet members or White House staffers. He believes he can enforce his idea that a task force is designed to handle one short-term problem—setting up a new foreign aid agency or working out an approach to traffic safety—and then disband. Assigning a job to one cabinet member or staff aide is even better, he believes. That man can consult other agencies and officials as needed, but responsibility is centralized, rather than diffused.

Probably the most notable example of this approach was the President's decision to abolish the Operations Coordinating Board, the hush-hush agency charged with following up on decisions of the top-level National Security Council. President Kennedy believes his national security adviser, McGeorge Bundy, or Secretaries Rusk or McNamara can better follow up on NSC decisions.

Broad role for Budget Bureau

The Budget Bureau has been given a more important and far-ranging staff function, settling interagency rows and taking over more of the follow-up work on presidential decisions. The Council of Economic Advisers similarly has been assigned a broader role. [See "Their Ideas Will Shape Your Future," *NATION'S BUSINESS*, May.]

If you dig through the organizational confusion of the new White House setup you eventually can distinguish three separate policy-making centers. One is the office headed by Special Counsel Theodore C. Sorensen, with clear responsibility for most new domestic policies and with some foreign policy chores, too.

A second is the national security-science complex headed by Mr. Bundy and Science Adviser Jerome Wiesner.

A third is a politically oriented apparatus, headed by Kenneth O'Donnell and Lawrence O'Brien.

Despite the title, legal chores make up a small part of the special counsel's job. He is charged with preparing all presidential messages to Congress, speeches, and other public statements. In that assignment he exercises a major voice—probably the most important voice next to that of the President himself—not merely in expressing policy



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THE WHITE HOUSE

continued

but in shaping the policy that is to be expressed. Although this is more true with respect to domestic matters than foreign—due to the separate Bundy set-up in the security field—the special counsel does participate in security matters when new legislation is involved. For example, he or his helpers worked intimately in preparing the new Kennedy defense budget, the foreign aid message, and the Latin American aid program.

Mr. Sorensen and his assistants work with cabinet members, heads of executive agencies, and lower-level officials to shape new policies. In the first months of the Administration, he and his cohorts drafted all the special messages the President showered on Congress. They refereed disputes between agencies feeling new flushes of power, reconciled agency and task force recommendations with the President's known views and past pronouncements, and rode herd on the multitudinous interagency meetings at which the proposals for each message were hammered out. Then, after talks with President Kennedy, fashioned the finished product to put before Congress and the world based on the recommendations the President had accepted from the Council of Economic Advisers and other top officials.

The special counsel's office also follows up on many of the new programs once they become law. Thus, assistant Richard Goodwin, who worked on the Latin American message, is now permanently assigned to watch over the progress of the program that message proposed. He went over the testimony given to Congress to back up the request for funds, accompanied Treasury Secretary Dillon to the recent Rio de Janeiro meeting of the Inter-American Development Bank, and will continue to be the White House contact point for agency problems in this field.

Sign or veto?

In addition, the special counsel's office advises the President whether to sign or veto legislation passed by Congress. It drafts special Executive Orders, carrying out such presidential policies as setting up a new committee to fight job discrimination by government agencies and government contractors. Finally, it does some more or less routine legal work—passing on international air



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THE WHITE HOUSE

continued

route awards, checking some court martial findings, examining some criminal pardon applications.

All four men in the special counsel's shop are old associates of the President, accustomed to working with him and with each other. They know his thinking intimately, and how he will react to most situations. The top man, gifted 33-year-old Nebraska lawyer Ted Sorensen, has been at Mr. Kennedy's right hand ever since the start of his Senate career in 1953, helping to shape the public image and build the political organization. He was the master speech-writer of the campaign, the chief architect of the legislative program, and still functions as the President's most frequently consulted adviser.

One result of the Cuban incident was to bring Mr. Sorensen into the foreign policy field. He now sits in on National Security Council meetings and other sessions concerned with foreign and security policy. The purpose seems to be to give the President another set of capable

Fred Dutton is in charge of coordinating policy among the various government departments, agencies

ROBERT PHILLIPS



and trusted eyes and ears when vital matters are considered.

Top deputy to Mr. Sorensen is Myer Feldman, who at 43 is one of the older members of the White House staff. Mr. Feldman, an affable man whom everyone around the White House calls "Mike," was Senator Kennedy's top legislative assistant. During the presidential campaign, he headed research work and, with Mr. Sorensen, drilled the candidate before each of the television debates with Richard Nixon.

Rounding out the special counsel's office are Dick Goodwin and Lee White. Mr. Goodwin, a brilliant 33-year-old former clerk for Supreme Court Justice Frankfurter, is, next to Mr. Sorensen, the White House staffer most able to capture the Kennedy style in a message to Congress or a speech. He did major speech-writing chores during the campaign, now tends to be the foreign policy specialist in the counsel's office. Mr. White, 37, was Mr. Sorensen's assistant on the Kennedy staff in the early Senate days. He later became administrative assistant to Republican Sen. John Sherman Cooper, rejoining the Kennedy crew after the inauguration.

Chief of the national security section at the White House is 41-year-old McGeorge Bundy, former Dean of the Faculty of Arts and Sciences at Harvard. A one-time professor of government and an authority on international relations, Mr. Bundy has steadily increased his influence since Jan. 20 and is considered by many as likely to become the dominant voice in the Administration, next to the President, in setting defense and foreign policy.

Mr. Bundy runs the National Security Council, the top formal policy-making body in the security field, and follows up on most NSC decisions. Equally important, perhaps, he keeps the President posted on major problems and developments in the security field, sits in on virtually all presidential conferences that go into global affairs, serves as an idea man in the security and foreign policy areas.

After the Cuban affair, there were reports that the President's faith in Mr. Bundy had been shaken. These were denied by members of the White House circle, and it is too early to say whether there has, in fact, been a change in his status. Working closely with Mr. Bundy is his erudite and articulate deputy, Walt Whitman Rostow. He came to Washington from the Massachusetts Institute of Technology, where

he was professor of economics and a staff member of the MIT Center for International Studies. Mr. Rostow, 44, has a special responsibility as an idea originator in the field of foreign economic policy. A man of pronounced views in many fields, he is a leading advocate of more aid to underdeveloped nations and of building American guerrilla warfare capacity to avoid commitment to atomic weapons if the U. S. becomes involved in a limited war.

The White House science adviser is 45-year-old Jerome Wiesner, professor of electrical engineering and director of the Electronics Research Laboratory at MIT. A member of a number of advisory groups under the Eisenhower regime, Mr. Wiesner's scope includes military technology, exploration in space, atomic problems, desalinization of sea water, and practically any other scientific question that comes up for top-level decision. Toward most he takes a wholesomely questioning and iconoclastic approach.

For purely political advice, President Kennedy is likely to turn to his brother, Attorney General Robert Kennedy, to Democratic National Committee Chairman John Bailey, to any staff aide or cabinet member. But two staff men, both veterans of the several Kennedy tries for office, are particularly relied on in this field.

One is special assistant Kenneth O'Donnell, who probably spends more time with the President than does any other member of the official family. A taciturn and shrewd 37-year-old Bay Stater, one-time captain of the Harvard football team, Mr. O'Donnell is the guardian of the President's time. He arranges appointments, guards the door to the President's office, arranges trip schedules, daily handles dozens of phone calls originally beamed at the Chief Executive. He's in and out of the President's office a dozen times a day.

He coordinated the investigating staff of the Senate Committee on Labor Racketeering when Robert Kennedy was chief counsel, helped Senator Kennedy build his impressive 1958 Senate re-election victory in Massachusetts, worked closely with Candidate Kennedy all through the primaries, convention and campaign. Last fall he was in day-to-day charge of the Kennedy caravan.

The other top political adviser is 43-year-old Larry O'Brien, in charge of "personnel and congressional relations." This means he handles patronage and has the not



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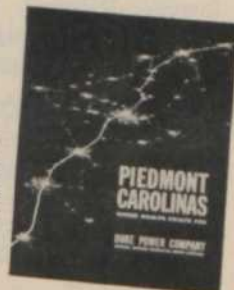
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White House press secretary, Pierre Salinger, keeps newsmen informed; sticks to public relations in advising President

THE WHITE HOUSE

continued

too enviable chore of persuading and pressuring members of Congress to pass Kennedy legislation.

Genial and professionally Irish, Mr. O'Brien ran a successful public relations business in Springfield, Mass. He was the master organizer of the 1952 and 1958 Kennedy Senate races. From there, he naturally graduated into organizing the primary campaigns in Wisconsin, West Virginia and Oregon, into lining up delegates from other states, and into the organization of the presidential campaign last fall. He played a major role in helping House Speaker Rayburn round up votes to overhaul the House Rules Committee.

Backing up Mr. O'Brien are three assistants. Mike Manatos, former administrative assistant to former Senator O'Mahoney of Wyoming, is the Administration lobbyist in the Senate. Henry Wilson, former North Carolina state legislator, is the opposite number in the House. Finally, 29-year-old lawyer Richard Donahue works with the Democratic National Committee on patronage applications.

"Everything else" men

Once the policy teams and the political apparatus are covered, the other White House assignments become even less clear. Some are simply "everything else" men, who step in to fill gaps.

Ralph Dungan, 37-year-old for-

mer Kennedy staff aide on the Senate Labor Committee, is, in effect, White House staff secretary, with the task of keeping the whole machine running smoothly.

In addition, he is responsible for checking out the qualifications of men recommended for high-level jobs—assistant secretaries, members of regulatory agencies, and the like.

He handles the vast flow of State Department messages which Mr. Kennedy insists on seeing, advises on labor and education problems, is the staff man working to help organize the new foreign aid agency.

Fred Dutton, a 37-year-old California lawyer and one-time administrative aide to Governor Pat Brown, is technically in charge of interdepartmental and intergovernmental relations. This amounts to a mixed bag of duties.

Mr. Dutton does any advance or follow-up work for cabinet meetings. He coordinates policy between various government agencies on many problems—making sure, for example, that the Labor and Agriculture Departments see eye-to-eye on migratory farm labor policy. When the President gives an order to an agency, Mr. Dutton is supposed to make sure the agency carries it out.

All cabinet members have been asked to give the President twice-a-week reports on their problems, and all regulatory agencies monthly reports. Mr. Dutton makes sure the reports are complete, and calls significant parts to the President's attention.

Pierre Salinger, the stocky, 35-year-old White House press secretary, is probably the best known White House personality next to the President himself, thanks to considerable press and TV exposure as the presidential spokesman. Although his predecessor, James Hagerty, played a part in helping to shape Eisenhower Administration policy, Mr. Salinger confines his policy advice to the public relations area.

Mr. Salinger was a top San Francisco newspaperman and magazine writer before joining the investigating staff of the Senate Rackets Committee, where he worked under Robert Kennedy. In the fall of 1959, he became Senator Kennedy's press aide, and handled all press relations in the tough primary and pre-convention period and during the campaign itself. Humorous and easy-going, he is well liked by the reporters who must deal with him, though they sometimes complain he is not free enough with information and guidance and is sometimes careless with the facts. He was a leading proponent of the live evening televised presidential press conferences, and has generally handled arrangements for the televised sessions with efficiency.

There are many more. Arthur Schlesinger, Jr., 43-year-old Harvard history professor, serves as ambassador to the intellectuals at home and abroad, a general gadfly to other White House thinkers, and a utility infielder for such special projects as the White House White Paper setting forth U. S. policy toward Cuba back in the early days of the Administration.

Thirty-four-year-old Harris Wofford, former Notre Dame law professor, so far has divided his time between civil rights problems and organizational work on the Peace Corps.

Defeated South Dakota Congressman George McGovern pushes for expansion of the Food for Peace program for using farm surpluses to feed the world's hungry.

And as though the regular staff members weren't enough, a number of consultants float in and out. To name just three of the more active thus far: one-time Harvard Law School dean James M. Landis, who is plowing the fertile fields of the regulatory agencies; Truman White House aide Richard Neustadt, adviser on government organization; and Harvard government professor Henry A. Kissinger, foreign policy and disarmament expert.—CHARLES B. SEIB



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A second idea condenses the entire group insurance proposal into one sheet and makes it easier to understand.

A third idea does away with the usual big catalog of case-handling instructions and all the separate forms that have to be matched to these instructions. Instead, Lincoln Life supplies a simple file-size case, tab-indexed for all routine and unusual situations—with easy-to-identify forms behind the tabs, *and instructions printed right on the forms!*

Still another idea includes a greatly simplified billing procedure that gets away from complicated monthly reports. To find out in detail how these ideas can save time, cut costs and improve employee relations for your firm, phone your Lincoln Life agent or write for particulars.



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SPECIAL LETTER

NATION'S BUSINESS EDITORS REPORT: Research booms

WATCH RESEARCH EFFORT--it's key signpost on road to economic advance.

Big breakthroughs are coming.

Examples: Unique new power sources (including fuel cell and hydrogen fusion) which could revolutionize power, transportation industries; desalting of sea water; plastics for home-building; incredibly strong new metals.

Use of satellites for international telephone and TV communication is already geared to go, pending government okay.

* * *

OUTLAYS FOR RESEARCH and development in U. S. are climbing at increasing rate, becoming major factor in our growth.

Here's a yardstick: industry's work in 1960 totaled more than \$10 billion, up from \$9.4 billion in 1959 and \$8.4 billion in '58. Total in '53 was only \$3.6 billion. Research work done by industry for itself and government in '61 could top \$12 billion.

Remember: These are totals for industry alone. You have to add work done by government facilities, universities, private research groups to get over-all amount, generally expected to exceed \$14 billion this year.

* * *

EXPERTS PREDICT total research spending in U. S. will soar beyond \$20 billion mark by 1970--go as high as \$25 billion if nation sharply accelerates its spending for such high-priced items as space exploration.

National Science Foundation is readying long look ahead at America's research needs and probable future spending--through 1970. Report, projections will be out later this year.

* * *

GOVERNMENT'S LONG REACH into our economy is dramatically evident. Uncle
NATION'S BUSINESS FOR JUNE 1961

SPECIAL LETTER: RESEARCH BOOMS

Sam, using tax dollars, finances more than half (57 per cent) of work by private firms. Government spending for industrial research has ballooned in recent years--due largely to stepped-up programs in defense, space, atomic energy.

Tougher pressures from communist countries--and our more militant response to these pressures--will drive total even higher.

Federal funds are flowing, too, to universities and colleges, private research organizations. Trend worries those who fear long-range effect of government research contracts, grants on local and private institutions.

* * *

NUMBER OF PEOPLE directly engaged in research is growing at faster clip, percentagewise, than the economy.

More than 800,000 scientists and engineers--by latest count--are working for major companies alone. About 80 per cent are engineers, nearly half the remainder are chemists.

In 1954 there were 553,800 scientists and engineers on company payrolls.

About 40 per cent of engineers, scientists now in industry are engaged in research and development activities--defined in Washington as "basic and applied research in the sciences (including medicine) and in engineering, and design and development of prototypes and processes."

Note: Market research, product testing, are not included in definition.

* * *

WHICH INDUSTRIES lead in research and development?

Aircraft, missile-makers are first (about \$3 billion annually); runner-up is electrical equipment and communication (some \$2.5 billion a year); in third place are chemicals and allied products, including drugs.

Other big research spenders: Motor vehicles, machinery, petroleum.

* * *

WEAKEST LINK, authorities agree, is field of basic research--projects which represent original investigation for the advancement of scientific knowledge and do not have specific immediate commercial objectives.

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CHECK YOUR KNOWLEDGE THIS WAY

Facts without time labels
must be handled with care

A COMMON HUMAN FAILING can make even the biggest mental collection of information a liability. This is the failure to put a date and a subject-to-change label on each item in the collection.

A piece of information accurate now may be quite inaccurate in a minute, a day, a month, or 10 years.

Some things, such as stock market prices, change so frequently and so obviously that when we specify a price we almost automatically indicate when it was obtained. Other things—for instance, the output capacity of a production line—may change slowly and in ways not easily observed by production planners.

"Knowledge," wrote Alfred North Whitehead, the mathematician and philosopher, "keeps like fish."

The habit of putting a time label on each item in your mental collection will be helpful in at least four important phases of business:

- ▶ Managing your career.
- ▶ Evaluating subordinates.
- ▶ Controlling current operations.
- ▶ Mapping future strategy.

Managing your career

In planning their careers most men are able to look on the firm for which they work as a changing entity and to make a point of keeping track of changes. If the firm hires a new sales manager, reorganizes the research department or installs a new president, it is obvious that these developments make some difference. If a man had been thinking of looking around for another position, he would almost mechanically take the change into account in his thinking.

Because it is fairly easy to put a date on an assessment of a firm's desirability as a place to work, it is easy to update that assessment when events call for updating.

It is far more difficult for many men to remember the time factor in assessing their own changing abilities. The personnel director of a large and diversified

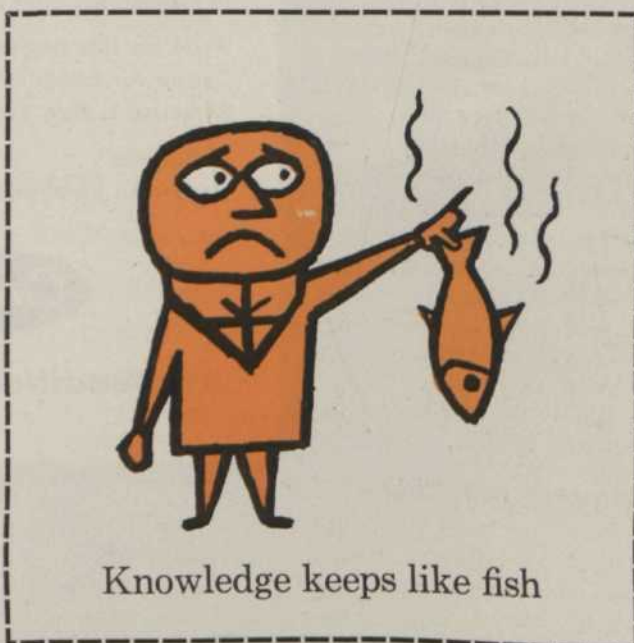
manufacturing company describes an example of such difficulty.

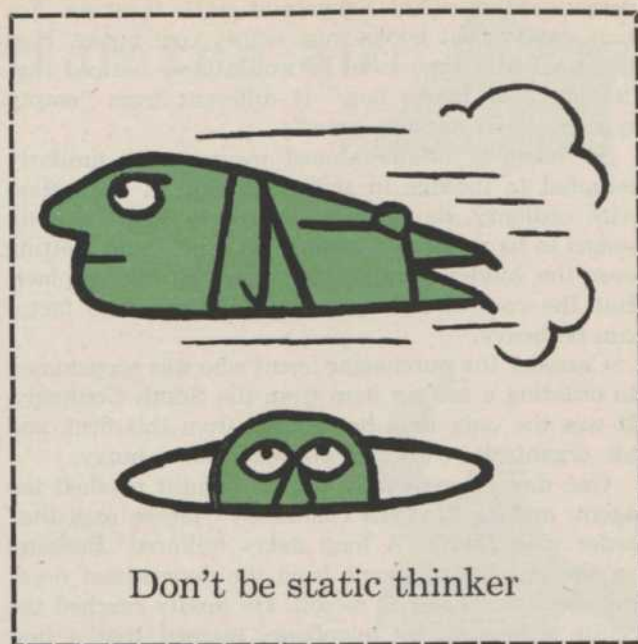
An executive trainee named Frank went to work for the company shortly after his graduation from business school some years ago. His academic record had been well above average except for one item:

In high school he had flunked chemistry.

His rise within the company was steady. By his mid-thirties he was marked for an eventual place in the top echelon. When he was 37 the company acquired a new plant, and he was assigned as assistant to its head. Instead of the pleased acceptance which his superiors expected he used every available argument and stratagem in an attempt to get out of it.

"Eventually," the personnel director reports, "I sat down with him to talk the whole thing over, but I had a devil of a time getting the truth out of him. Neither I nor anyone else in the company had ever





given a second thought to the fact that Frank once flunked a high school chemistry course. If I had, I probably would have made some joke about the fact that the new acquisition to which we were assigning him was a chemical plant.

"It was no joke to Frank. In his mind, he was a failure so far as chemistry was concerned. He had gotten so worked up over it that he was about ready to believe that the reason for the assignment was that someone in the company was out to get him. He was absolutely convinced that he would not be able to get the hang of how the new plant worked.

"Actually, he had to learn only a little chemistry. And he had long since demonstrated a capacity to learn far more difficult things. I practically had to psychoanalyze him to get him to understand that and make a try. Once he was ready to try, he got over his trouble fairly quickly."

Frank had left the time element out of his assessment of his experience with chemistry. He had it: "I fail at chemistry." This is absolute and offers no room for hope. If he had included the time, the result would have been something like: "I flunked a high school chemistry course in 1937." This would have identified the experience as what it really was—a minor item in the life of a rising young executive.

Thousands of executives have similarly endangered or even destroyed their careers by ignoring the time element in remembering occasions when they failed or, perhaps less frequently, the times when they triumphed spectacularly. An occasional football hero or other early success may feel, later in life, that he need not put forth the kind of effort expected of ordinary mortals.

Evaluating subordinates

Most executives try to attain objectivity in evaluation of subordinates because it is one of the most important management functions. Others prefer to be guided by intuition or hunch. Whichever approach is favored, it is almost inevitable that any striking

incident in the course of a man's performance will get special attention.

This is not necessarily wrong. In any case it is probably inevitable. If time labels are firmly attached to reports or memories of such incidents, they can be highly useful in evaluation. The danger is that the label may be forgotten altogether or attached so lightly that it is easily lost.

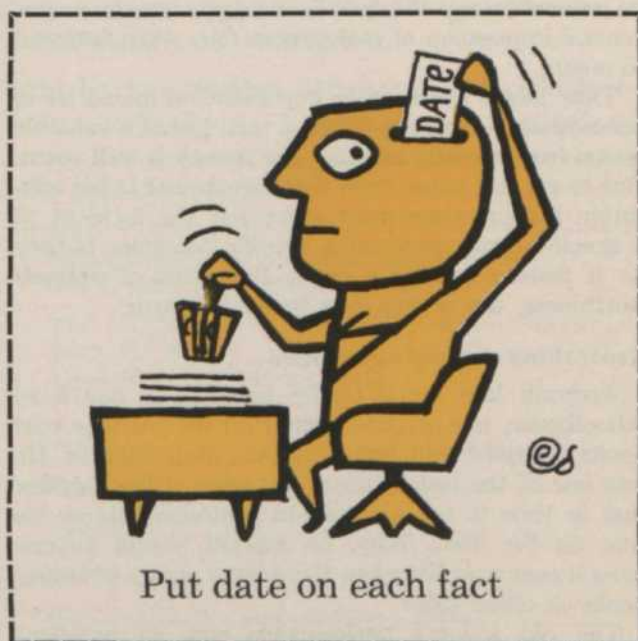
Several department heads in a large firm were asked to pick one candidate each from among their subordinates for a special project. The need was for a man able to assume the responsibility for dealing with unlooked-for difficulties and delays in the project.

One department chief was able to dictate a memo announcing his choice as soon as he read the request. Startled by such speed and confidence, one of the president's assistants dropped around to talk it over. He asked especially for a few more details about the record of the chosen man.

The sponsor immediately launched into the story of his candidate's big day. About three years earlier, on the eve of a long week end, the man had been the only one of the department's executives on hand when a wholly unexpected big, rush order came through from one of the firm's best customers. To fill it on time, it was necessary to make several decisions almost immediately, including offers of sizable bonuses to a couple of foremen and some of their men to work over the week end. Unable to reach any of his superiors, the candidate made the decisions himself. In nearly every case he decided wisely.

Impressed, the president's assistant asked for the complete file on the man and took it away to study. The study revealed that the man had a distinctly mediocre record both before and since his big day and had often shown reluctance to assume responsibility. Comparison with the records of other members of the department indicated that at least two of them were considerably better prospects for the special project.

If the chief had firmly attached a time label to





Keep information up to minute

his memory of the man's big day, he would have been able to see that occasion in perspective, to relate it to performance on other occasions. The label would have kept reminding him that on a single occasion the man did a great job. Loss of the label led him to forget that the occasion was only one of several and made him regard it as permanent proof of great initiative.

A superior's failure to keep time labels firmly attached to his memories of incidents is of great advantage to the artful practitioner of office politics. All the latter has to do to make himself look good to such a boss is to catch his eye discreetly now and then with what seems to be effort above and beyond the call of duty. A boss resists having his evaluation of an employee manipulated in this way if his memories of such occasions go something like: "On such-and-such an occasion I saw so-and-so working overtime." He is putty in the hands of a manipulator if he remembers not the specific incidents but the vague, general impression of zealotry they were designed to create.

Time labels are equally important on memories of subordinates' bloopers. When a man learns a valuable lesson from a costly mistake, the money is well spent. But to get full value from that investment in his education his superiors must remember the incident as a specific error made on a specific occasion. If they let it instead become a vague indication of untrustworthiness, the money was badly misspent.

Controlling current operations

Arriving late for a public meeting at our local schoolhouse, my neighbor found all the corridor coat hooks occupied and hung his coat atop another. He was one of the last to leave. He entered the corridor just in time to see a testy old gentleman throw his coat on the floor. Why, he snarled, would anyone hang a coat over his when there were plenty of empty hooks on either side?

The old fellow's performance was an excellent

demonstration of the dangers of static thinking. For him, empty coat hooks were empty coat hooks. Had he attached a time label he would have noticed that "empty coat hooks now" is different from "empty coat hooks at another time."

In business affairs almost everyone is similarly tempted to indulge in static thinking in connection with ordinary, day-to-day operations. There usually seems to be more than enough to do without fretting over the hidden changes that may be taking place. But the cost of failing to consider the time factor can be heavy.

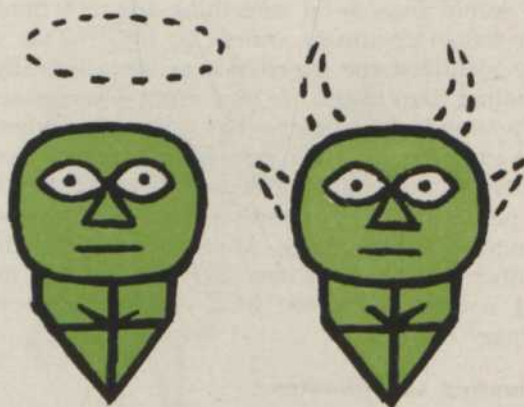
Consider the purchasing agent who was accustomed to ordering a certain item from the Smith Company. It was the only item he ordered from this firm, and his organization usually needed it in a hurry.

One day an especially urgent request reached the agent, and he filed his customary "please expedite" order with Smith. A long delay followed. Pressure on the purchasing agent from the department needing the item began to mount. He finally reached the Smith Company by telephone, learned that a new management had taken over and that production of the item in question had been discontinued. The new management had been trying unsuccessfully to be helpful by locating the item elsewhere. The result was a costly production delay.

It is tempting to say that this kind of thing might happen to anyone. It might, indeed, but it need not. The trouble was that the agent did not think of the Smith Company as the supplier of the item on specific past occasions.

If he had thought that way, he would have realized that, since his order was small and since there was nothing else he could order from the Smith Company, that firm might not go on being obliging every time he ordered. He would thus have been reminded to check the availability of the item at the time of his order.

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is one of the chief threats to management's control of current operations in any business.

Even the most scientific departments of a business concern can get into this kind of trouble. For instance, in many branches of the food processing industry a great deal of expensive equipment has to stand idle for long periods because harvests are seasonal. To get as much work as possible out of their investments, the processors seek to use their equipment in handling successive crops. This takes great ingenuity because of the variety in the sizes, shapes, chemical properties, and other attributes of the items handled.

After several years of tinkering, the engineering department of one processing firm found a way to use the slicing equipment on a wide variety of products. They accomplished this by redesigning the installation so that the spacing and pitch of the cutting blades could be easily altered.

In a pilot plant set-up the new design worked fine. When a full-scale version was put into operation the next year, it seemed to work fine, too, until—in the midst of a long run on the third crop—it suddenly went to pieces.

It took almost as much time and ingenuity to uncover the explanation as to design the installation, although all that was involved was the loss of a time label. In beginning their studies the engineers had made a detailed list of the various pertinent attributes of the crops to be handled. One attribute was the acidity of the crop on which the machine went to pieces.

In designing the method of fixing the blades the engineers took into account the comparatively low degree of acidity noted in their list. By the time they installed the machine, the acidity of the crop had increased enough to ruin the blade fastenings in the course of a long run of the machine.

Had their information indicated the date on which the acidity tests had been made, they would have been reminded that new tests would some day be necessary.

In some matters it is a good deal easier to attach a time label quite firmly to a bit of information for future use than to note the absence of such a label on information from the past. For example, if you were to buy an old house with the assurance that it had been termite-proofed, you probably would not insist on knowing the date of the treatment.

If you were to find termites after you moved in and paid for the proofing out of your own pocket, you would remember the date and would insist on a statement of how long the treatment could be expected to remain effective.

Dating of information for future use is far from automatic. Some years ago a western manufacturer was planning to market several new products over a period of years. His idea was to bring out one or two of the new items each year. Experience had convinced him that the precise shade of color had a considerable influence on salability of his type of product, so he undertook a series of market sampling tests to determine the best color for each of his planned new products.

The ones he brought out in the first two years were gratifying successes. The one he brought out in the third year was a resounding flop. Startled by this failure, he assembled all the pertinent data and sat down to go over it with two of his top assistants. One of the items was the survey of color preferences.

"I think we can take it for granted that's not where our trouble is," one of the assistants remarked. "The survey turned out to be perfectly right for the products we brought out last year and the year before."

"If he hadn't phrased it just that way," the company head said in telling the story, "I'm not sure we ever would have discovered that that was exactly where our troubles lay. I suddenly realized that last year and the year before were not this year. Since we couldn't find any other more likely explanation, we ran a recheck. We found out that in the two years since the survey that particular shade had become highly repellent for our type of product."

This case is especially pertinent because when the survey was made all concerned knew that its results were to determine colors of products to be introduced over a number of years. Had anyone considered the matter, it would have been obvious that color preferences might change.

Probably the chief reason for our frequent reluctance to put dates on information we use in mapping strategy for the future is that we like to get things settled. This is only natural. It often is necessary to make a great many judgments in the course of such planning and to take a number of facts into account. Putting a date on each fact and thus making it subject to later reappraisal may seem to make the whole process unbearably uncertain.

There is no denying that this uncertainty is a heavy load for any business executive to bear. Ability and willingness to bear it make top executives.

—ROBERT FROMAN

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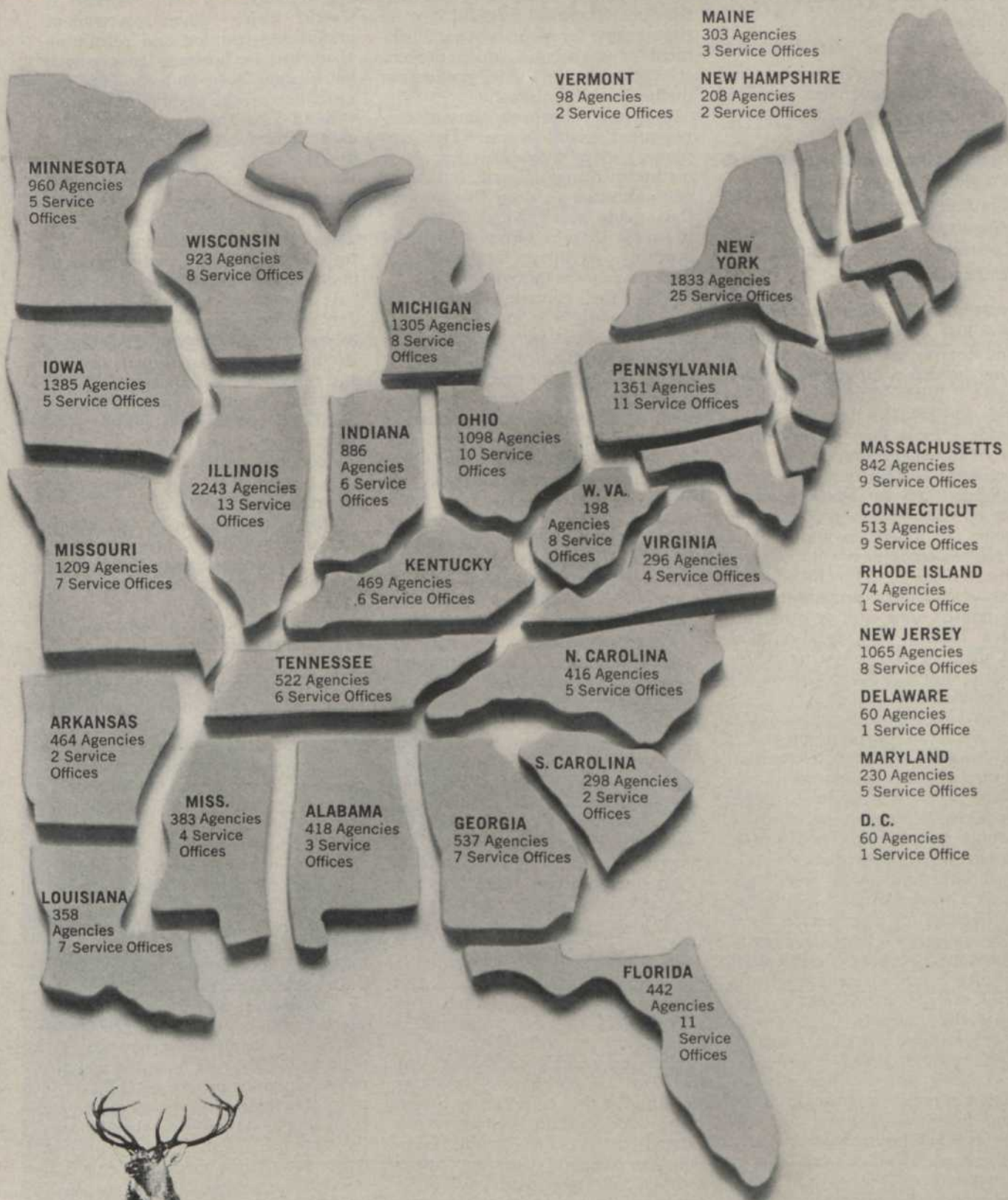
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UNEMPLOYMENT

continued from page 39

the measures, governmental and otherwise, that have been proposed for dealing with it.

These include:

- ▶ Unemployment compensation.
- ▶ Providing income security.
- ▶ Training and retraining.
- ▶ Wage fixing.
- ▶ Depressed areas legislation.
- ▶ Economic growth.

Unemployment compensation

A chief purpose of unemployment compensation is to prevent undue hardship among the unemployed. With this objective in mind, the level of benefits should provide a basic floor of protection.

Unemployment compensation also contributes to checking declines of economic activity by providing some purchasing power. But higher benefits or longer benefit periods are recession-snubbers—not employment stabilizers. The unemployed do not spend their compensation on new houses, new cars or other durables. Rather, they spend on food, rent, utilities, debt servicing. These types of expenditure do not greatly aid economic recovery.

Most important, compensation does not cure unemployment. It may create it, prolong its duration and discourage re-employment.

Some workers in seasonal industries, as well as some members of the labor force who normally work only part of any year, have come to regard unemployment compensation as a fringe benefit. Some use their benefits for a prolonged vacation at part pay. Any increase in the amount of benefits or easing of eligibility requirements, or extension of the benefit period, will aggravate these abuses.

More serious are the effects of higher unemployment compensation costs to the employer in postponing and reducing re-employment during a recovery. Since an employer is taxed according to his employment record, it is expensive to add workers to the payroll until there is a good prospect that they will not have to be laid off again soon. The employer will prefer to pay overtime to workers already employed. Thus, recovery can be appreciably slowed and re-employment delayed.

Income security

It is in everyone's interest to provide the worker as much security as

is compatible with progress and freedom. The most harmful form of the struggle for security is establishment of work rules which prevent the adoption of new production methods and equipment.

A second approach aims at employment maintenance. The employer may introduce improved methods and equipment, but he is not permitted to drop the workers thus made superfluous. Here are the most blatant forms of feather-bedding: payment for work not done and not required.

The third approach to security for the worker is income maintenance. This too, may be abused, as in union demands that discharged workers be paid for five years.

Income maintenance includes state unemployment compensation programs, and in some cases supplementary payments financed by the employer and occasionally by employee contributions, or both. Severance pay is another form of short-run income maintenance. These are obviously stopgaps and raise costs to consumers—among whom workers themselves are the most numerous.

Long-run assurance of real income can only come through productive employment and re-employment. The approaches are many, indirect, and not certain to work in every instance. The employer forced to discharge some workers may give them advance notice to help facilitate adjustment, or give them first consideration for other jobs. He may notify other employers or employment exchanges.

No one pretends that these approaches are adequate; but they are steps in the right direction.

Training and retraining

We must abandon the notion that education is ever completed. The skills and knowledge possessed at 20 will not last a lifetime.

Retraining and upgrading are, therefore, a continuing problem. Training in this case means preparation for gainful employment. Education has much broader functions: to acquaint each generation with its heritage, to prepare it for responsibility, to enhance the quality of living.

Most acquisition of new work skills comes on the job, not in school. This is true even of professional and technical personnel.

The main problem in the future will be using the resources for retraining to best advantage. When a large firm sets up a training program it knows what skills it needs

and roughly how many workers it should train. When government undertakes training and retraining of workers for business it lacks such knowledge. There is some good information on the number of persons without jobs, their geographical location, their occupations, their industries. Equally detailed information is needed on current, and particularly prospective, job openings, by occupation and location. This could guide training and retraining efforts, and vastly improve re-employment of displaced workers.

It would not solve all problems. Job opportunities would still have to be reconciled with educational freedom and occupational choice, and expanded occupational training with the other aims of education. The skills and abilities in short supply, and likely to grow scarcer, may not be fully used, however, unless there are wider wage differentials by skill, after tax.

Who is responsible for retraining displaced workers? The employer whose innovation made their skills obsolete? The workers themselves? Or society at large?

From the viewpoint of ethics, all share responsibility, and the most practical distribution of the burden probably cannot be determined once and for all. From an economic viewpoint, some tentative rules may be suggested. The employer should not be so heavily burdened with the costs of income maintenance and retraining that his ability to grow and to hire workers is hampered. Displaced workers should not be so heavily burdened that they and fellow workers fearing displacement will join forces to block progress.

The residual burden must be borne by society and through state and local government.

In some cases these burdens will be substantial; in other cases zero. Some large and diversified firms are constantly introducing new products, materials, and methods which create demands for scarce skills. It is in the interest of these firms to train displaced workers already on their payroll for the new job openings. Most firms are doing this.

In the case of displaced coal miners, on the other hand, the job openings are not primarily in the coal-mining region or industry, which cannot be expected to assume the major burden of retraining.

Unfortunately the problem is not solely one of workers whose skills are obsolete. Some in the labor force are essentially unemployable.

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UNEMPLOYMENT

continued

next decade, 7.5 million will not have completed high school. Another 2.5 million will not have completed elementary school. Many of these have the capacity but lack the interest, the drive, the encouragement or the vocational counseling they need. Some who are unsuited for conventional schooling have other abilities which may be valuable to the labor force. But many others lack the capacity to be more than unskilled labor. Some lack even that.

Wage fixing

Some people have become unemployable by law. Every time we raise the minimum wage or extend its coverage, some marginal workers become too expensive to keep. Others not yet in the labor force are denied the chance to work.

Wage fixing by statute or by decree aggravates the structural unemployment problem in several ways. It increases the number who are unemployable; it prevents depressed areas from holding or attracting industry by offering lower wage costs; it hampers depressed industries, occupations, and areas in expanding their sales through lower prices. This is one of the evils of nationwide legislation which handicap many local communities.

Depressed area legislation

Some structural unemployment may be found in any community, no matter how prosperous. Declining industries and obsolete skills are everywhere. Depressed areas are those where declining industries and occupations are a major part of economic activity. The geographic approach toward solution of structural unemployment is neither appropriate nor effective.

The problem of chronic unemployment in localized pockets may be approached by:

1. Persuading industry to move in and provide jobs for the unemployed.
2. Persuading workers to move to areas with better job prospects.
3. Retraining workers for expanding occupations, with or without migration of capital and labor.

The federal government has placed undue emphasis on moving jobs in. Moving workers out and retraining workers for new occupations have been underemphasized.

It is not economically sound to discriminate in favor of some areas



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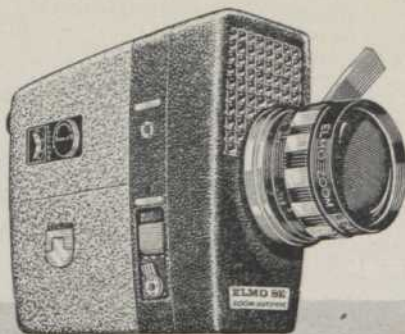
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UNEMPLOYMENT

continued

and against others, particularly in favor of declining areas and industries at the expense of more promising areas and industries.

There is no particular reason, furthermore, why every area and community should advance in lock-step at the national rate of advance. Some communities, like some firms, are uncompetitive. We do not attempt normally to prevent an uncompetitive firm from going out of business.

No one has made any reliable calculations of the costs and benefits of the various ways of relieving depressed areas. It is probable that a dollar spent on retraining has many times the impact of a dollar spent on loans and grants for industrial or community facilities.

Economic growth

As the population of working age increases, more jobs must be created to maintain high employment. Rising productivity means that fewer workers can produce a given real output. Thus investment must expand to create new jobs.

On this all are agreed. We should

not accept the view, however, that it is possible to add the annual gain in labor productivity and the estimated annual net increase in the labor force, and come up with the numerical rate of growth in real gross national product which stabilizes unemployment.

In the first place, the annual increase in the labor force is variable; in the late 1950's it was below expectations; in 1960-61 it was above expectations. Because of this variability it makes more sense to try to improve the stability of the level of employment, allowing for a small annual increase, rather than to stabilize the rate of unemployment.

In the second place, the annual rate of increase in man-hour productivity also varies. It is influenced by the level of economic activity and is subject to some control. In the long run all growth in real income is the result of increasing output per unit of input—human and other energy, management, technology.

We should encourage research, development and economic freedom, which create the basis for growth. This means better education, improvements in the administration of patent policy, and improved dissemination of technical knowledge. We also need more investment, and particularly more venture capital. This requires tax reform and tax reduction primarily, and also maintenance of economic stability and a climate of confidence. Adequate growth in investment cannot be reconciled with declining profits after taxes.

Training and retraining of workers complements new capital investment in raising productivity and also facilitates re-employment of workers displaced by progress.

Every effort should be made to reduce barriers to mobility of labor and capital from less productive to more productive uses, whether these barriers are imposed by government, unions, or management.

Our efforts should be concentrated on improving productivity, and on re-employing workers displaced by technological progress and changing demands. If we do these things, the rate of growth will take care of itself. Growth comes not from legislation but from innovation.

END

This analysis of unemployment is a summary of a longer research study on automation and unemployment, available from the National Chamber's Economic Research Department.

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1. CONGRESSIONAL ACTION—This program is designed to equip businessmen and others to express persuasive, personal views to Congress on major legislative issues affecting the growth of the economy, employment, the value of the dollar, national security, and the future of the country.

Under this program, local chambers, trade associations and business firms set up Congressional Action Committees.

Each Committee member receives from the National Chamber a weekly bulletin called Congressional Action which keeps him posted on significant developments both inside and outside of Congress relating to important legislation.

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Congressional Action Committee members are thus prepared to express well-reasoned views to their elected representatives in Washington—and to discuss legislative issues intelligently with key people in the community.

2. ECONOMIC UNDERSTANDING—This training and action program is designed to help businessmen and others create a better public understanding of the American competitive enterprise system, and how it works. The end purpose of this program is to encourage individual citizens

to support government policy that fosters the job-creating growth of private enterprise.

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The members of each Economic Discussion Group meet together once a week—usually for a period of 17 weeks—to study the basic principles of economics, and to learn how to express themselves more effectively about private business, both in conversation and before an audience.

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3. POLITICAL PARTICIPATION—This program is designed to train and equip businessmen and others to be more influential and effective in politics—to help select and nominate qualified candidates for public office, and to get those candidates elected.

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FEDERAL TAKEOVER

continued from page 35

ing foresters have sprung up to help woodland owners meet their individual needs. These firms provide an assortment of tools and services including land clearing, reforestation, seeding, transplanting, control of undesirable trees, and timber sales.

In spite of the progress being made by private industry and owners to protect and upgrade forest resources on the small woodlots, the multibillion-dollar federal crash program is still being pushed.

In the proposals that have been made public so far, the thinking that is fundamental in federal-control philosophy is elaborately revealed.

1. Cost sharing. This would incorporate a changed and expanded Agricultural Conservation Program open only to owners of from 80 to 2,500 acres. It would leave out the smallest woodland owners. Eligibility also would be based on the owner's dedicating a specific area to permanent forest production. Payments to stimulate improved cutting practices would be based on commitments by the owner to follow government-dictated levels of intensive forest management practices.

2. Technical services. This would provide a greatly increased number of federal forestry employees for planning, supervising and contracting for services with small owners. This tax-supported service would compete with private consulting foresters.

3. Education. This would include expanded information to owners, loggers and processors. It would include money for vocational education and hiring specialists to assist county forest employees.

4. Local committees. Planning teams of laymen representing major interests in a community would set goals, report to state foresters, and be paid mainly with federal funds for time spent at meetings.

5. Protection. Large sums would be available for fire and pest control based on federal standards and goals.

6. Consolidation and rehabilitation. This would permit a state to take title to private lands to rehabilitate depleted forests. The land would be returned in "units of economic size," apparently in what the government would determine to be efficient units for timber production. Owners of rehabilitated lands apparently would be made to adhere

to government standardized forestry management practices.

7. Production of nursery stock. This calls for government seed orchards and seed and plant supplies.

8. Research. Projects are proposed for a variety of purposes. One project calls for devising and testing methods for motivating owners to undertake forest activity.

9. Forest credit. This is to provide loan capital, apparently at lower-than-market interest rates. It would be administered by the federal government. Borrowers would have to agree to manage their properties according to government instructions. Loan applicants would have to show financial responsibility and managerial ability, though normally, if they could show these qualifications, they should be able to get private loans.

10. Forest insurance. This is directed primarily at small forest owners but proposes that acreage not be limited, so as to spread risks and reduce premiums. Forest management requirements would have to be met to qualify.

11. Marketing cooperatives. Federally subsidized cooperatives would be set up for managing and marketing timber. Among other things, the federal government would provide financial help to hire managerial and technical people to run the cooperatives.

12. Tax improvements. The aim would be to improve forest taxation through the help of foresters in assessments and legislative changes.

This proposed intricate program of government stimulants and standards is causing considerable worry among forest industry people.

Mr. Nash, for example, feels that existing government programs have impeded rather than improved forestry practices in many cases. He says that publicity given to the Agricultural Conservation Program has given the false impression that the government will handle all forest problems without cost to the owner.

He reports that in Johnston County, N. C., last year some \$5,000 was spent in such ACP forestry activities as clearing and restocking to improve 350 acres. In the same year, in the same county, Mr. Nash's firm processed 1,800 acres. This didn't cost the general taxpayers a cent. In fact, taxes on returns from the improved woodlands as well as the profits from Mr. Nash's business provide revenues to the state and federal treasuries.

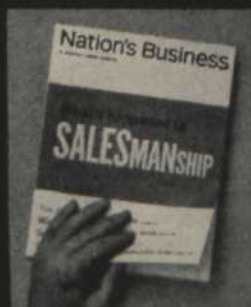
Mr. Nash feels the government



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has made significant contributions in research. But he says its attempts to promote conservation have been misinterpreted by laymen to mean "hold on to all the present trees," when clearing and restocking is often more beneficial practice.

Ponderous government procedures sometimes fall behind technological developments and new techniques, he notes. Government still uses injections for each tree to get rid of unwanted growth, for example, while private foresters accomplish the job quicker and more easily with a spray apparatus.

In reforestation, nursery transplanted stocks are encouraged by the federal government, he points out, though new experiments on pines have found that nursery seedlings (not transplanted while in the nursery) grow faster and tend to be freer of disease.

Many forest industry experts maintain that the Forest Service's future timber demand estimates on which they base the need for a vast federal program are badly warped.

Technological advances have been made even since the timber resources study was completed.

Today about 70 per cent of the tree goes into commercially useful products, as compared to only 35 per cent a few years ago. Forest geneticists have produced scores of hybrid trees that are improvements over their ancestors. Scientists have discovered tree strains that resist diseases and insect attacks, that grow faster and with better shape.

New means have been devised for reducing mortality and protecting the trees to produce maximum yields per acre. New machinery has been invented for planting and for controlling undesirable brush. New ways of managing woodlands promise better natural reproduction and provide improved inventory control and marketing procedures.

Researchers are breaking down wood's elements and coming up with new chemical by-products that may one day be much more profitable than wood in its natural state today.

There can be no freedom to try new and different ways if all forestry operations must meet government regulations, Mr. Nash says. "If all woodlands were made alike, competition would be destroyed and we would become little more than goats with government as master."

END

U.S. BIDS FOR MORE OF BUSINESS' CUSTOMERS

Government will assume new role as competitor if this legislation passes

SHOULD the federal government assume responsibility for supplying cut-rate service to a few favored customers at taxpayers' expense when the customers' needs can be met by taxpaying companies?

This basic question of government policy underlies a proposal in Congress, backed by the Kennedy Administration, to build a \$50 million dam and power project at Burns Creek, on the upper Snake River in southeastern Idaho. Thirty miles up the Snake River is the Palisades Dam, built for reclamation and flood control and producing electric power as a by-product.

This power has been sold to cooperatives, municipalities, and other groups which have first claim to subsidized federal electricity. The Palisades Dam, however, does not produce enough power to meet their future needs. Therefore, the argument goes, the Burns Creek project should be built to supply them.

These preference customers, contends N. B. Bennett, Jr., Assistant Commissioner of Reclamation, have a right to expect the government to meet their future needs.

This new concept could lead to the government trying to provide service in competition with private industry at all sites where power is sold only as a by-product.

Except in the Tennessee Valley Authority area, where investor-owned electric companies have been forced out by government competition, the federal government generally produces power only as a by-product of irrigation, reclamation and flood-control activities.

Unless a power project is built at Burns Creek, preference customers will have to buy electricity from the

taxpaying utilities which are serving other customers in the area.

Edwin C. Schlender of the Snake River Power Association, a group of cooperatives, says, "Their price to us for wholesale power would be twice what we are now paying the Bureau of Reclamation. This would raise our retail rate so high that we could no longer compete."

The preference customers buy subsidized and untaxed federal power at reduced wholesale rates and retail it in competition with the privately owned utilities.

The electric power companies in the Mountain States are ready and willing to meet the area's future needs. They plan to spend \$2.5 billion in the next 15 years to increase capacity by seven million kilowatts.

Utah Power & Light Co., which serves southeastern Idaho, is planning to spend \$625 million during the same period to add 1.5 million kilowatts to its capacity, according to E. M. Naughton, company president. An \$80 million steam plant is already under construction.

This plant, Mr. Naughton points out, is being built at no cost to the government, and will pay taxes of about 21 cents on every dollar of revenue.

He says that the Burns Creek project would cost the government \$34 million in foregone taxes in addition to construction costs.

Unfairness to the nation's taxpayers is pointed out by John J. Roberts, vice president of the Empire State Chamber of Commerce. Appearing before the Senate Irrigation and Reclamation Subcommittee in behalf of state chambers of commerce, Mr. Roberts said that the Burns Creek project represents

a new turn in federal policy toward intensified government competition in the electric utility business.

The local result of Burns Creek would be to provide electric power on a highly subsidized basis for a favored group of users, he noted.

"We in New York pay for our own power developments," he continued. "We do not see why we should be asked to help pay for power developed in other states."

The United States Chamber of Commerce has urged Congress to defeat Burns Creek legislation because, among other reasons, "it is not a proper and necessary function of the federal government to agree to provide complete utility service to local power users, even though they may be already receiving federal power."

The Reclamation Bureau earmarks less than two per cent of the Burns Creek project's cost for reclamation. The stored water would be needed for irrigation only two or three times in 50 years. There is no flood control benefit from this project.

Sen. Walter F. Bennett, Republican of Utah, asserts that there isn't a "shred of evidence" to indicate that the project is needed. He says it is not needed for power, for irrigation or for reclamation.

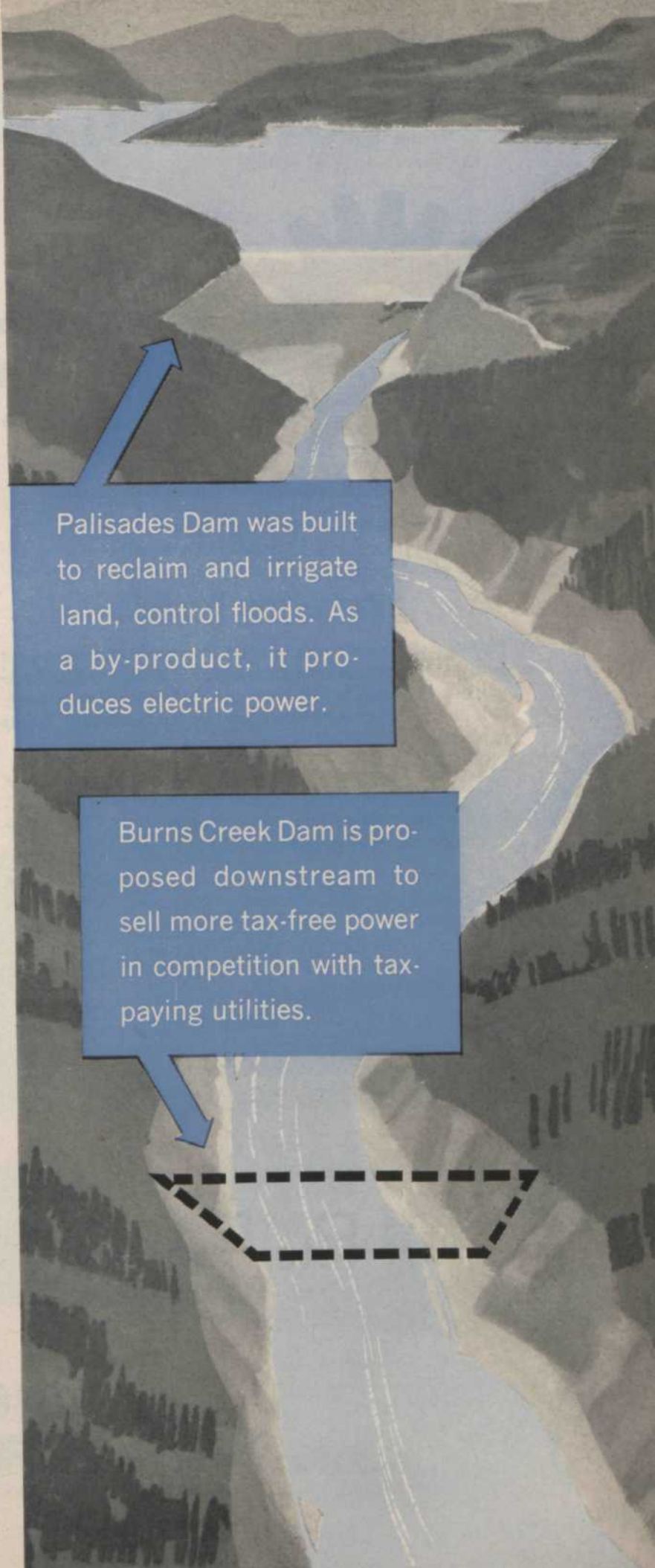
The Burns Creek project is also attacked as being uneconomical and harmful to reclamation because its cost would be saddled onto the Palisades project, a beneficial reclamation project, which has been in operation only three years. Money wasted on Burns Creek for power will be lost for true reclamation uses, opponents say.

Sen. Frank Church, Democrat of Idaho, sponsor of the Burns Creek legislation in the Senate, seems to agree that the project is conceived more to produce power than for reclamation when he says there is a power shortage for preference customers which may grow to a serious crisis for all cooperatives.

Sen. Barry Goldwater, Arizona Republican opposing the legislation, retorts with a rhetorical question.

"Why," he asks, "should the federal government spend the taxpayers' money for something private firms not only are able and willing to provide, but are going to provide?"

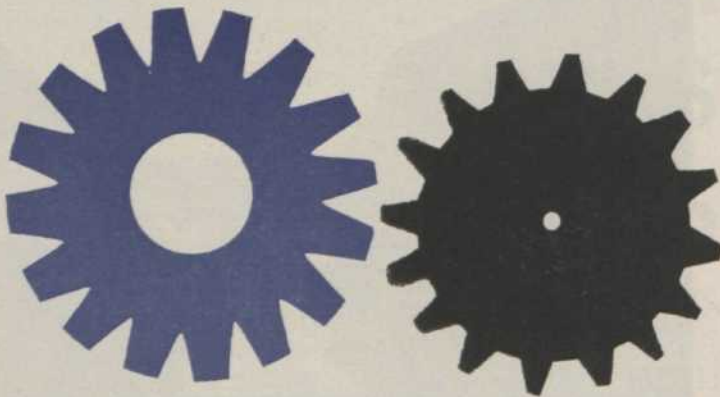
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Palisades Dam was built to reclaim and irrigate land, control floods. As a by-product, it produces electric power.

The image is an aerial photograph of a river valley. A large reservoir is visible at the top, with a dam structure across the river. The river flows through a valley with steep, forested hillsides. A blue arrow points from the text box to the Palisades Dam. Further downstream, a dashed black line indicates the proposed location of the Burns Creek Dam.

Burns Creek Dam is proposed downstream to sell more tax-free power in competition with tax-paying utilities.



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"It takes men with the right combination of traits to make a partnership work. A smooth intermeshing of personal background, education, ability, initiative and aspirations is essential. Maybe that's why there are so few successful lasting partnerships.

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"As a partner with your Chamber of Commerce you can speak up at any time about community issues which affect your business, your schools, your local government, and your taxes. You can make your views known to your representatives and public servants and you can do all this with no danger of dissolving your partnership.

"As long as you want it to last, it will last. It's your responsibility as a business man and a civic partner to join and support your local Chamber of Commerce, to work through it to make your community a better place in which to live and work."



Pete Progress

Speaking for progress through
voluntary organizations

COMPANY YOUNG

continued from page 37.

thus depriving the company of their talents.

Where problem originates

Hardening of company arteries may originate in various ways. The origin usually can be traced.

It may be excessive conservatism, a cult surrounding certain major activities, traditional one-man planning, the role of the company's secretary-treasurer, legal counsel, board of directors, or other officialdom, the pattern of succession, or the image of the company and the desire to preserve that image at any cost.

Institutionalism may also show up in a lack of spirit of adventure and gamble, too many family ties, too much or too little community relations.

You may find that the aging process has set in because of certain individuals—a rigid bureaucrat, a lone-wolf operator, a dictator of his own shop with policies which are not necessarily in keeping with the over-all policies of the company. Or, it may be the individual who maintains that it's too late in life to undertake anything new or different; the man who frowns on management as a profession and advocates growth through hard knocks; the man whose mind is clouded with prejudices or biases; the disciplinarian.

Whoever it may be, the obstructionist can damage the company by choking off ideas, plans, decisions, and by blocking the use of the talents and abilities of others. Or, the trouble may originate in the environment. The company may be under the influence of informal organizations—cliques which work for their own goals and not necessarily those of the company. They build iron curtains around departments, subdepartments, and other units.

It then becomes difficult for anyone else to obtain data or reports, to process a recommendation for an award to a deserving employee, to find the person for consultation on a problem, or even to coordinate on matters of joint interest.

How serious is the ailment?

A bank whose depositors were mainly individuals and small, independent retail business establishments could not make it when the community changed. Many of the older families left, and the neighborhood became a new community with

What's in it for you?

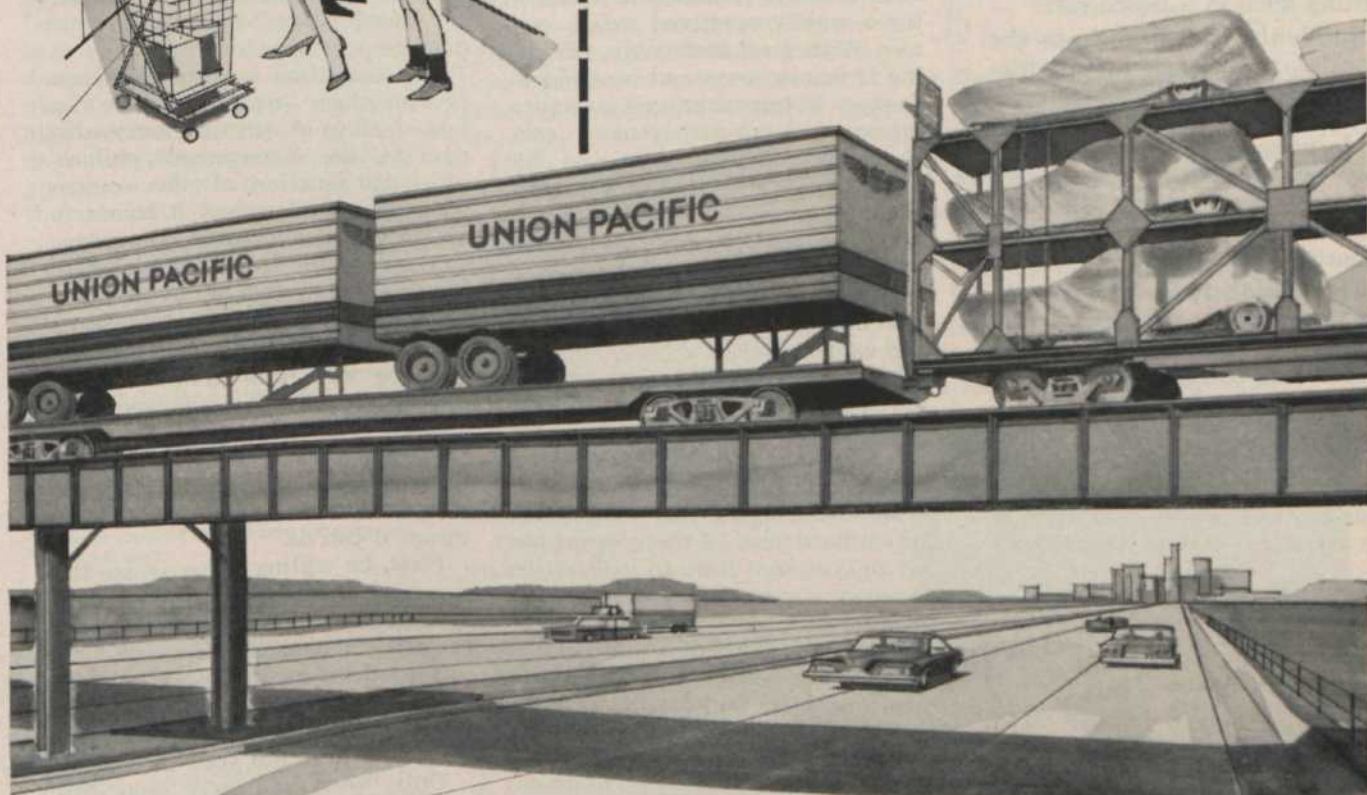
When you see a freight train go by don't you often wonder what's in it?

You'd be surprised. If there's one thing that provides a cross-section of America's way of life, it is the freight car. Here you find apples and automobiles, bassinets and breakfast foods, carpets and corn, divans and dishes. But you name them...you use them.

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COMPANY YOUNG

continued

large department stores, chain stores, and younger residents.

The bank's officials and employees had become so smug and comfortable in handling their clientele and operations that they had stopped thinking, or even anticipating, any possible adaptation to some future development or need. It couldn't serve the changed community. A competing bank moved in and soon took most of the business. The older bank had to relocate. Its case of hardened arteries was too difficult to overcome.

A major aircraft company could easily have fallen victim to the ailment, but didn't. With more than 40 years of experience, many of its operations were fixed, many of the men set in their ways, and the company could have rested on its prior achievements.

However, when it became evident that dependence upon aircraft manufacture and government contracts was too risky, the management diversified into electronics systems, missiles, and some work in the nuclear field. It established plants in three widely scattered urban centers. With good leadership, retraining of its engineers and supervisors, changes in organizational structure, improved labor-management relations, and other assets, it was able to meet its new objectives. The company now enjoys eminence in several fields and its profit position is looking up.

A national bus company injected new blood into its public relations and modernized its vehicles, depots, scheduling, special services, and labor relations. Had it stood still, the consequences could have been serious to its corporate life. It now foresees a bright future.

In determining the degree to which hardening of the arteries has set in, you first have to look at the company's sense of anticipation. It may be completely absent, partially absent, or it may come and go.

Second, assess the extent to which men's abilities and talents at various levels of the organization are underutilized or not utilized at all. Failure to tap the energies, abilities, and contributions of people often points up an aging condition.

Third, take a clinical look at the promotion system. Who gets ahead? On what basis? Is the promotion and advancement system dominated by the seniority factor? Must the man come up through sales if he's

to get anywhere in the organization? Such conditions demoralize a number of employees.

This does not mean that seniority or traditional lines of advancement are bad, but the knowledge that such things have become institutionalized suggests hardening of the corporate arteries.

Watch for clusters of the non-promotables in the management ranks who, by their indifference and apathy, introduce clots in the blood stream. Disappointed and possibly embittered men who have been passed over, and yet are in strategic positions will ask: "Why should I make things easy for the next guy or even for the company—if this is my reward for years of service?"

The intensity of influential pockets of resistance often testifies to the seriousness of the condition.

Persistent line and staff clashes are another symptom. Both line and staff men are on the payroll for what they can contribute to the good of the company. If either group is unable to make its contribution or is reduced to second-class citizenship, the company suffers. One often finds attempted remedies which prove costly and inefficient, such as a disproportionate number of coordinators, expeditors, and management specialists.

The condition is also bad when provincialism prevails. There's a false feeling of self-sufficiency, disdain for the management philosophies and practices of other companies, nose-tilting when it comes to executive development programs. Through it all is a compulsion to preserve the system at any price.

What a company can do

Begin with this premise: It is within the right of management to restrict or to enlarge its frontiers. Assuming that it wants to enlarge them, to keep alive and in the running competitively, there are many things it can do.

First, be willing to recognize the signs of trouble, to probe deeply and indulge in self-analysis, and to take corrective measures as needed.

Second, re-examine and update your company's management creed, objectives, targets, and systems and personnel to attain your objectives.

Only when you have done this can you then adopt the third measure—that is, to install in your company a sense of anticipation and use the capabilities your people really have. This sense of anticipation will go a long way, once it is ingrained at all levels, toward acceptance of new ideas and proposals, well rea-

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soned and warranted organizational change, and breaking down the pockets of resistance.

A company which does these things will also have to draw up a realistic and firm program as to what to do with the near-retirement men and the nonpromotables who are blocking the way to modernized and more effective management.

It must make room for mavericks—with some tolerance point, of course. Troubleshoot the inactive, dormant, and marginal departments and see what can be done to have them shoulder their optimum load.

It must tap the findings of research in industrial psychology on motivation, morale, and productivity—of managerial and nonmanagerial personnel. This would be much more rewarding than toying with questionable incentive systems and blowing hot and cold in short-lived efforts to step up productivity.

If you find unimaginative men who are incapable of contribution beyond mere routine, officials who are insensitive to valuable staff counsel, supervisors who violate sound human relations, and office politicians, at least get them out of the line of fire. Whatever actions may have to be taken—transfer, demotion, forced retirement, downgrading of responsibilities, termination, extended assignment to special tasks—take them in a timely and firm way.

Here are other constructive actions you can take:

Make informal organization work for the company. Don't let it dominate company life.

Provide for the continuing education of managers; away from the job, to enlarge their frame of reference and understanding of management as a profession so they can break out of the trap of one-company provincialism.

Increase delegation and distribution of authority and responsibility.

Encourage participation in decision-making. Provide leadership based on reality.

Today's company, faced with rising costs and narrow profit margins, cannot afford hardening of the arteries.

It cannot live with self-imposed forms of rigidity and yet compete in a fast-moving economy.

—NATHANIEL STEWART

REPRINTS of "Keep Your Company Young" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance.

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HOW TO HANDLE JOB FEELERS

If you're approached and interested,
you will find these pointers useful

WITHIN the next 12 months you may be among the estimated 100,000 businessmen who will get a call from a professional recruiter asking if you are interested in a position with another company.

Your immediate reaction will be mixed. You may wonder where the recruiter got your name. You will be flattered. You may be worried that your present employer will hear about the approach. You may decline the offer because you are happy where you are.

But if you are interested, you will want to do everything you can to land the job. In that case several do's and don't's will help you. Actually these would apply to your dealings with a company that made you

an offer as well as with a recruiter. The only difference is that the recruiter is likely to be more mindful of them.

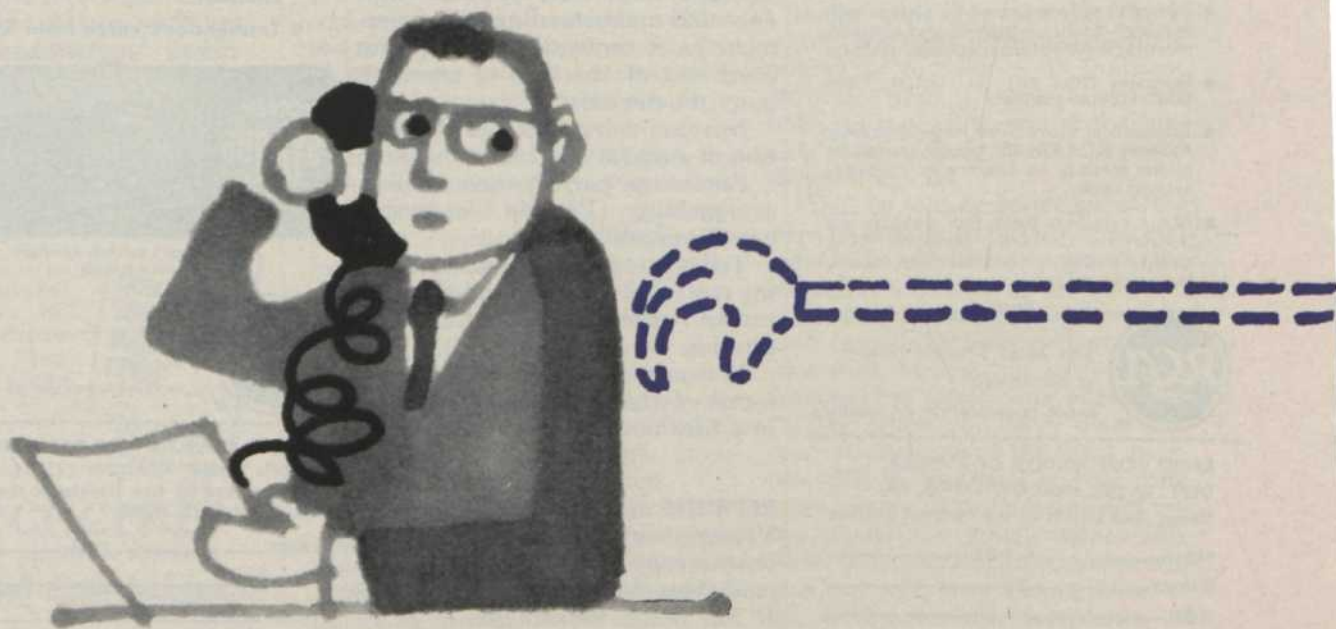
"We are tougher than the companies who use our services would be," says New York recruiter William H. Clark. "We have to be in order to maintain our own reputation."

Recruiters do not follow a standard pattern in making their initial contacts. Most will send a personal letter to your office. Some will describe the job, without identifying the company, and ask if you are interested. Others will say that they have a position to fill and ask if you could recommend anyone for it. It's up to you to recommend yourself.

In either case, when you answer, you should send along your resumé.

A few recruiters will telephone you. They may try you at your home in the evening. But the chances are that you will get the call in your office. After telling you briefly why he called, the recruiter will ask if you are free to talk. The conversation will then go on long enough for you to decide whether you want to pursue the opportunity and for him to decide whether he should ask for your resumé.

If he likes what he learns about you, the recruiter will arrange a meeting. When and where this takes place depends on your schedule and his. If in the reasonably near future you expect to be in New York



(most recruiters have headquarters there), he will suggest that you come to his office. If he expects to be in your area, he will suggest a meeting at your office, home or over luncheon. If neither arrangement is possible, and he is pretty sure that you are a serious candidate, he may ask you to make a special trip to New York at his client's expense.

In any event, you finally meet. At this point the do's and don'ts become important.

Talk to the point: You will have a pleasant but penetrating conversation lasting from 20 minutes to an hour, depending on the recruiter's interest in you. Recruiters are good conversationalists, and even better listeners. Your contact wants to know everything about you. If he decides you are not quite the right man, he will tell you so. If his interest in you grows, he will ask for references.

Says Hardy Jones, of Ward Howell Associates, New York, "I expect complete willingness to answer questions factually. I want a man to give opinions in an incisive manner, stick to facts that are related to the job. A man has a right to complain, but he should be brief and charitable."

Mr. Clark tells of one man who came into his office, slouched in a chair and lit a cigar without asking whether he might.

"That was bad," he recalls, "but then he started talking. He didn't seem to hear me or pay attention to my questions. He just rambled."

Play it straight: Most recruiters say they are amazed by the extreme candor of the men they see. Nevertheless, they lay heavy emphasis on the need for candidates to be honest and open. "If a man tries to be something he's not," one executive search specialist says, "we find out and he's dead. On the other hand, the more honest he is with us, the more we can help him and the more we want to."

The two things job candidates most often misrepresent are salary and education. The deception rarely succeeds. From experience, recruiters have a pretty accurate idea of salary scales in all industries and in most companies. If they want to check up on you, they'll simply ask you to produce your last W-2 form. Similarly, if they doubt your statement that you have a degree, they'll ask your college for your record. While recruiters demand that you be completely honest about your background and experience, they understand that there are things of a personal nature which you may not choose to reveal.

Says Francis Canny, of Hoff, Canny, Bowen & Associates, New York, and president of the Association of Executive Recruiting Con-

sultants: "We are not trying to lay bare a man, to invade his privacy. There are personal things that are none of our affair. But we do want to know everything that will have a bearing on a man's ability to fill the job and fit into our client's organization. When I run a reference check, I am always looking for what the man is not telling me."

If you don't volunteer that you have had a nervous breakdown, for instance, the recruiter will understand. Yet, since the investigation may turn up such facts, they feel that, in the long run, it's better for you to tell all. True, it may hurt your chances. On the other hand, past history of this kind does not appear to frighten recruiters away from a man who meets specifications in every other respect.

Don't be cagey: "In my experience," says Ashton Dunn, head of his own New York search firm, "the more able an executive, the more interested he is in hearing about the job we're trying to fill. If for no other reason, he wants to know what is going on in his business. A man must remember that he is not asking for the job; he is being approached."

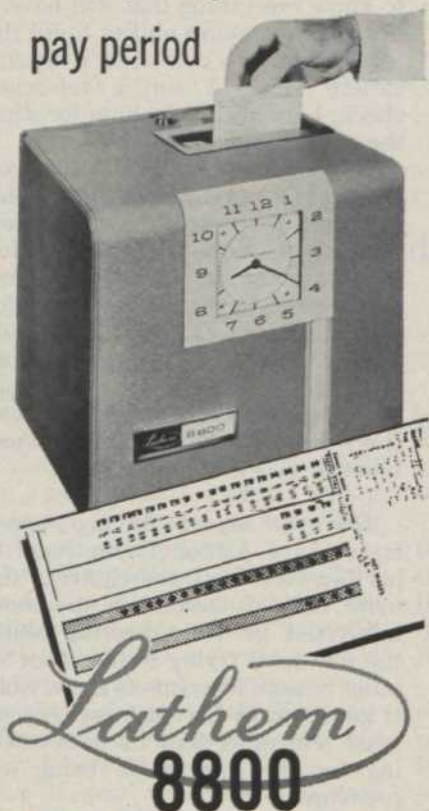
Mr. Dunn thinks that many men are too confident of themselves. When they receive a recruiter's exploratory letter, they toss it aside expecting that the recruiter will

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JOB FEELERS

continued

surely follow up. Other men, when answering the recruiter's letters and talking with him, continually play hard-to-get.

"Another problem," Mr. Dunn says, "is the inquisitive secretary and her suspicious boss. I telephone a man who is highly recommended. His secretary answers, and naturally she doesn't know who Ashton Dunn is. So she asks why I am calling, and I can only tell her it's a personal matter. So she assumes, and her boss assumes, that I'm selling something. I never get to speak to the man.

"We are too busy making searches to keep after men like this."

Work over your resumé: Don't gold-emboss it. A page, or at most two, is enough. Just put down the facts. The less a recruiter has to read between the lines the better.

(Incidentally, recruiting firms are happy to receive unsolicited resúmes from job-hunters any time. They go into the file for possible future use.)

Don't send out sloppy letters: "When I get a smudged, misspelled letter from a man," Mr. Dunn says, "it immediately makes me wonder whether he's sloppy or lazy."

Be courteous to the recruiter's secretary or receptionist. Everybody in a recruiting firm is directly involved in finding the right man for a job. Since it's a short walk from the reception desk to the recruiter's office, the recruiter hears pretty quickly that you were impatient or lost your temper. The minute he does, you have a major hurdle to get over.

Dress properly: "It's up to us not to be misled by mere appearances," says Robert Moore, of Richardson, Bellows, Henry & Co. "Our interest is in the whole man."

Nevertheless, the way a man dresses influences recruiters. One of them advises: "Dress in accordance with the conservative custom of whatever business you're in."

Sloppiness and eccentricity are distrusted. One lawyer was recently rejected for an important Wall Street opening because of dress alone. "He was brilliant," the recruiter recalls, "but the minute I met him I knew he wouldn't fit into my client's firm."

Don't drink too much: All recruiters, of course, steer away from the heavy drinker. But like other

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businessmen, each has his own ideas about how many drinks are too many. So if you go to luncheon with one of them, stop after the first cocktail.

Don't make the recruiter feel obligated to you: For instance, if he asks you to lunch, he expects to pay the check; so don't fight for it. Don't send him a gift after he's seen you. In short, you owe him nothing except thanks for his interest. Even if you land the job, his fee is paid entirely by his client.

Be patient: Don't call the recruiter every few days to find out where you stand. He'll tell you when he knows, but it usually takes one to two months—often longer—to complete a recruiting assignment. The interview with you was the beginning of an intensive check that you probably won't know anything about unless someone happens to mention that he received an inquiry about you.

On the theory that your references are all favorable, the recruiter is not likely to check them unless he wants to run down the names of other people who know you. But he will talk with former business associates, customers, your banker, your lawyer, anyone—except your present associates—who can give pertinent information about you. His questions will probe your business experience and ability, personal characteristics, life and education. In some instances, he may ask questions about your wife and family. And if there is any real doubt about you or difficulty in tracking down answers, some recruiters may even hire a private detective to help them.

Meanwhile, don't be surprised if several things happen:

You may be asked to take psychological, intelligence and aptitude tests. Some recruiting firms favor these; some do not. Those that do, however, often have clients who also believe in testing. You may refuse to cooperate with the recruiter (at least one firm does not hold that against a man) but you may still wind up being forced to take the tests for your new employer.

If your business has brought you to New York from a distance, and the recruiter's client is in that area, he may arrange for you to see the client immediately. That does not mean, however, that you will not be investigated or that you automatically have the job. It is simply a time and money-saving measure.

Your wife may be interviewed, but this is generally done only if

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JOB FEELERS

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the job is overseas or in some area or with some company where her happiness and comportment may have a bearing on your performance.

Don't look to the recruiter for guidance: Before he sets up an interview with his client, he'll tell you all that you need to know about the company, its people and the job. But he won't tell you what to say or how to act.

"But a good man," says Mr. Canny, "will prepare for the interview by digging deeply into the company's background."

Don't count on the job: The recruiter may be friendly and enthusiastic. But remember that he is probably talking to a lot of other men. Besides, he doesn't make the final decision.

Above all, don't get so overconfident that, in a dutiful moment, you tell your present employer you may leave him. If you don't get the new job, you will only have raised a large doubt about your loyalty.

Once the recruiter has checked out the potential candidates, he presents the names of the best to his client. He may submit one name or 25. Some companies want only a few recommendations; others want many. If the company approves, its officials will interview you and your rivals. Finally word will come that you have or don't have the job.

Even if you fail, you can be sure of four things:

1. You were a candidate for an important job. Positions filled by professional recruiting firms rarely pay less than \$15,000. Some are at the salary levels of board chairmen and company presidents.

2. You will have been given an interested, objective hearing. The recruiters are as eager as their clients to fill a job.

3. The recruiter will have made every effort to safeguard your present position. He will have talked to no one in your company (unless you authorized it) nor made indiscreet inquiries which might get back to your boss. He is looking ahead to the day when you may want to engage him to find a new employe for you.

4. You are now well known to a firm which will have other important positions to fill in the future.

—STANLEY SCHULER

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They are motivated by a common sense of purpose: to deliver the best possible service — Bell telephone service — at the lowest possible cost. The efforts of all three — and many thousands like them — are combined to design, build, and operate this most versatile of the world's communications systems.

At Bell Laboratories the development engineer designs, for example, a

new kind of electron tube for use in long-distance telephony. To make it in quantity — and at low cost and high quality — calls for new processes, new tools. It's Western Electric's job, as manufacturing unit of the Bell System, to develop these processes, provide these tools. To this job, the toolmaker above and all his co-workers at Western Electric bring the same sense of responsibility for good telephone service as do the development engineer in the laboratory and the operator at the switchboard.

Together, the men and women of these three Bell System units, linked by a common sense of purpose, form and serve a single communications system — the Bell Telephone System.

WHOSE GAME ARE WE PLAYING?

ANY LIVING THING that finds itself in a new environment must adapt or die.

The United States today finds itself in a new environment.

Some customs must be changed.

Among them is the pleasant habit of unions to ask and companies to grant across-the-board annual wage increases that can't be paid out of increased productivity.

This never was sound practice but in the carefree reaction to war it seemed to make little difference.

Customers were eager, world shelves were empty and higher costs could be added to price.

Those careless days are gone—along with some of our self-assurance.

All over the world friends as well as enemies outprice, outmaneuver and outsell us.

As a result, our foreign commerce is in precarious balance, the soundness of our money in question, our unemployment persistently high, too much of our productive plant idle. Russia exploits these weaknesses to convince the uncommitted nations that a society based on individual enterprise must fail.

To refute this argument we need an expanding private economy, growing fast enough to provide jobs, creating wealth to pay for a strong defense, producing products competitive in price and quality with those that others are able to offer.

This requires statesmanship not only in government but in business and labor as well.

All must put the country's needs first, expediency second.

Government must see that unions are not so powerful as to enforce their will at public expense; business must stand firm for sound wage policies; union leaders must limit their demands for pay and benefits, except where production gains justify them.

Already a new round of wage increases and fringe benefits has started. If this is followed by higher prices the workers directly involved and all others—as well as the nation—will have lost another competitive round in world markets.

The Teamsters Union recently won an additional 37 cents an hour spread over three years; the United Rubber Workers have negotiated close to 20 cents an hour more over a two-year period; the United Automobile Workers are preparing to ask a variety of benefits whose cost would far exceed what the industry could absorb without a price increase.

All this in spite of the fact that factory wages have risen from \$1.35 in 1948 to an average \$2.32 cents an hour today. A survey by the International Association of Machinists shows that today's wage earners are better off than they have ever been in terms of working hours needed to buy the necessities and luxuries of living.

All of us want a more abundant life but nobody, businessman, labor leader or American workingman, wants it at a price which could eventually cost our freedom.



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